

A proposal for more fundamental reform of the Taxation and Social Security system than previously suggested.

By:

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Given events that have occurred since submissions re taxation reform were called for last year, in particular the global economic downturn and the Victorian bushfires and North Queensland floods, and the fact that the committee is considering social security reform in conjunction with taxation reform (which I was not aware of when I wrote my original submission), this may be a good time to consider a more fundamental reform of the Taxation and Social Security system than any that has previously been suggested.

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Section 1 – Proposal

1.1 That the Centrelink social security system as currently implemented be shut down, eliminating the cost of administering the system and freeing most of those persons currently working in Centrelink for more directly productive work in industry and commerce, and a fortnightly living allowance equivalent either to the current unemployment and sickness benefit or to the Disability or Age pension be paid by the Taxation Department to every Australian citizen and legal permanent resident who has a valid current Tax File Number, with the amount of this National Living Allowance to be adjusted every six or twelve months in accordance with a national cost of living index.

In the past such a system would probably not have been viable because of the cost of implementing it but with the computer and electronic banking technology now available it should be possible to program the Taxation Department computer system to make the payments at little extra administrative cost to the department, and the cost of the living allowance itself would be offset partly by the savings achieved by closing down Centrelink, i.e. by eliminating the cost of checking eligibility for allowances, processing fortnightly job search forms, etc., and partly by changes to the income tax rates and other adjustments to the taxation system.

1.2. That a small part of the existing social security network be retained and restructured to process means-tested rental and mortgage assistance payments for persons suffering serious illness or disability lasting more than three months and to oversee provision of means tested special services for the long-term disabled and seriously ill such as mobility aids, special accommodation or house modifications, nursing care and/or household assistance, special child care and/or schooling, etc., and to provide special assistance in other cases of genuine need; funding for these services to be partly from taxation revenue and partly from insurance revenue, with injury and compensation pay-outs resulting from road and workplace accidents etc. to be paid into this fund instead of directly to affected persons to ensure that the money is managed for their long-term welfare and in the best interests of the whole community.

Under the proposed system as outlined in Point 1.1 there would be a need for some "top-up" of the living allowance for persons who are unable to work for long periods of time because of serious medical problems or a significant disability, and combining this part of the scheme with the personal injury insurance system would address the inconsistencies in the current insurance system whereby persons injured in some circumstances, e.g. road accidents or when worker's compensation applies, often receive large "windfall" pay-outs (which are actually paid for by the rest of the community in the form of higher insurance premiums) whereas others with similar injuries incurred in different circumstances may get nothing. The proposed system would also prevent the loss of medical compensation money when trustees mismanage (or gamble away, as in one case on the Gold Coast) the money received in an insurance pay-out. Some "insurance money" could be used to top-up a person's fortnightly income to a level equivalent to his/her pre-accident income but large "windfall" payments should not be made to individuals, they should all go into the government administered medical and injury fund.

Section 2 – Benefits

2.1 General Economic and Social Benefits

2.1.1 Better long-term economic stability.

With the concentration of wealth reduced and the nation's base level spending power maintained extremes of inflation and recession will be minimised so the economy will be more stable in the longer term – overall the wealthy will be less wealthy as a result of the higher tax levels on high incomes but what wealth they do have will be more secure.

2.1.2 Greater socioeconomic equity.

Socioeconomic status is primarily a result of opportunity, i.e. where a person is born and who to, IQ and other inherent personal characteristics, early upbringing and family dynamics, educational opportunities, job and business opportunities, etc. so nobody “deserves” to have a highly disproportionate share of a community's wealth. It is therefore desirable to apply a mechanism to transfer some of the wealth of the financially privileged to those less privileged in order to have greater socioeconomic equity overall and a more sustainable economic system, while retaining the possibility for personal advancement so as not to stifle individual initiative

2.2 Benefits to the Government

2.2.1 A simpler and fairer taxation and social security system.

2.2.2 Greatly reduced cost of administering the social security system.

2.2.3 More people in productive employment in industry and commerce and less people employed to administer the social security system, therefore a broader "real taxation" base (i.e. more tax derived from non-government employment than from taxpayer funded public service employment).

2.2.4 A higher level of taxation on income above the tax-free threshold (beginning at 30% v/s the current 15%) would partly offset the cost of the living allowance, increased tax on business profits or a Federal Government payroll tax would offset the reduction in revenue from tax on the wages of low income earners, and greater taxation revenue from those on high and very high incomes should offset any remaining cost of the system, with the nett benefits probably more than compensating for the cost of providing the living allowance.

2.2.5 With unconditional eligibility to receive a living allowance some people will choose not to work, but at least they wont be a nuisance to employers by going through the motions of applying for jobs that they don't really want. However provided that the income tax thresholds and the tax rates are appropriately set so that they do not act as a disincentive to working, most people will genuinely do whatever work they can, even if it is just part-time, in order to improve their lifestyle and to provide for a better future for themselves and their families, few people will be content to live indefinitely on a subsistence income when they have the opportunity to earn more and few will be content to sit around doing nothing when they could be working and having more interest and meaning in their lives. Some people may combine their living allowances to share accommodation on the Gold Coast etc. but even when this occurs their spending will contribute towards keeping the economy viable and for most people the attractiveness of such a lifestyle will soon fade and after a while they will seek employment in order to better themselves.

2.3 Benefits to Employers

2.3.1 With all Australians receiving a living allowance from the Government there should be no need for employers to provide sick pay. This would both reduce the cost to employers and reduce absenteeism by persons who regard sick days as an entitlement to be used whether they are genuinely sick or not. Persons with high mortgages or other financial commitments would still be

able to obtain cover for genuine accident or sickness by taking out income replacement insurance or mortgage insurance.

2.3.2 With all Australians receiving a basic living allowance from the Government there should be no need for employers to provide paid maternity or paternity leave, though I believe that job security following a reasonable period of unpaid maternity or paternity leave should be guaranteed by law. I believe in a fair go for everybody and therefore I don't like to see employers taking unfair advantage of employees, but it cuts both ways and I consider paid maternity or paternity leave to be an unfair imposition on employers, they should get a fair go also and it is not fair to expect an employer to pay a person who is not actually working.

2.3.3 It might also be possible to handle holiday pay differently, by setting it aside from an employees regular income as a pay deduction and/or an employer contribution, in a secure interest-bearing Government Guaranteed fund, to be drawn on by the employee for holidays and/or as a boost to his/her government provided income if sick, or to be retained as an "emergency fund" if the employee doesn't need to use it for holidays. (Superannuation does not currently provide an emergency fund because none of it, even voluntary extra contributions, is accessible until a person has actually left the workforce permanently.) However if holiday pay is managed differently annual holidays should still be compulsory, e.g. a minimum of two weeks per annum taken at intervals not greater than two years apart, because if this is not written into law some employers will never give employees any significant time off and some employees will never take time off.

2.3.4 With all Australians receiving a basic living allowance from the Government without any job-search reporting requirements employers will not have to suffer the inconvenience and cost of dealing with people who are applying for jobs simply in order to meet Centrelink reporting requirements.

2.3.5 Reductions in wages as a result of provision of the National Living Allowance would NOT be a benefit to employers, because tax rates on company profits would have to be adjusted to compensate for lost Government income-tax revenue and the cost of providing the allowances, and if "creative company accounting" enabled companies to avoid tax on their profits then a Federal Government payroll tax would have to be introduced to make up the shortfall. (I believe that companies should be taxed on profits, not on the costs of doing business, but if creative accounting methods are used to understate actual profits then Government will have no option but to impose taxes that are less able to be avoided.)

2.4 Benefits to Individuals

2.4.1 All citizens and legal permanent residents (and any other eligible persons) would have a guaranteed minimum income, ensuring that their basic needs will be met whatever their circumstances.

2.4.2 When there is genuinely no work, e.g. off-season in some rural areas, people will be spared the hypocrisy and inconvenience of having to keep reapplying for jobs that they know will not be available until the next season.

2.4.3 Under the proposed new system the only reporting requirement would be the submission of an annual tax return, so most people currently receiving sickness benefits and disability pensions would have more flexibility to move in and out of employment in response to changed work opportunities or changes in their condition than they do at present. However there is a need to provide such people with more assistance to find *suitable* employment than is now available, particularly where they could do some work but have to work at their own pace or to their own schedule and are therefore excluded from normal employment. For many of these people working from home would be the best option but currently it is virtually impossible to find a job where you work from home, despite the IT revolution supposedly having made working from home more common now (ads re working from home are usually attempts to sell overpriced stock market or horse racing software or attempts to recruit people into "multi level marketing" pyramid schemes), so job search services should be improved to help people with disabilities find work that is genuinely appropriate for them.

Section 3 – Underlying Assumptions

3.1 *For a monetary economy to remain viable over the long-term money must be kept circulating and ordinary people need to have sufficient income to enable them to purchase the products and services provided by industry and commerce. Therefore, if the majority of the wealth becomes concentrated in too few hands, and in particular if too many of those in the society who are relatively less privileged become too poor, then the economy will become unsustainable, because sales will decrease, production will then have to be reduced, and a recessionary cycle will be established.*

The Howard Government obviously believed that keeping wages and working conditions down in order to maximise business profits and shareholder returns was the way to build a strong economy, ignoring the fact that when the majority of the people have to spend every penny they earn just to provide for their basic needs then business activity will decline and the economy will weaken, eventually resulting in recession or depression and negating any short-term benefits derived from such one-sided policies. In contrast, the Rudd Government's recent economic stimulus packages show that this Government recognises the importance of maintaining the spending power of ordinary people on low and middle incomes in order to keep businesses viable and the economy strong – it may be possible to argue that there could be a better mechanism than the one the Rudd Government has chosen to use, but at least the Rudd government appears to have understood the fundamental nature of the problem, the need to keep money circulating instead of allowing it to become too concentrated in too few hands.

3.2 In a subsistence economy (as in much of PNG [removed for privacy reasons]) some monetary income is desirable in order to provide a better quality of life, but it is not essential, because most people can grow their own food, build their own houses, and have enough to spare to be able to care for any sick and aged persons in their family or clan.

In an urban and highly regulated society like Australia's, a society in which people are totally dependent on a monetary economy and houses have to be built to conform to strict and expensive building and environmental regulations, a minimum level of monetary income is essential for bare survival.

Australia therefore needs a social security and taxation system that will provide for the basic needs of all citizens and legal residents (or at least all legal permanent residents) even when age, sickness, accidental injury, lack of jobs, or other adverse circumstances prevent them from earning a living.

I also believe that a robust public housing system is needed to provide housing for the underprivileged and to maintain fair rentals and appropriate housing standards in the private rental market (just as the banking standards of the Commonwealth Bank, when it was Government owned and controlled, kept the other Banks from being too greedy), but this is probably outside of the scope of a review of the taxation system.

3.3 The fatal flaw of any extreme form of socialism, and of Marxist Communism in particular, is the lack of incentive for individuals who are not members of the leadership elite to think smarter and/or work harder in order to benefit themselves, resulting in economic stagnation. However at the other extreme, a system in which there is too great a divide between the haves and the have-nots will encourage crime and if it goes too far will cause serious societal problems like those that existed in Britain during the Transportation era, as outlined by Charles Dickens in his social commentaries, or will result in even more serious social upheaval such as that seen in the French and Russian Revolutions, and will eventually result in an economic recession or depression if social decay or revolution does not occur first.

It is therefore essential to implement policies that will limit economic inequality in order to maintain a stable society, while at the same time offering enough freedom and incentive for people to better themselves by thinking smarter and/or working harder.

Neither the extreme of Government over-regulation, as seen in Marxist Communism, nor the opposite extreme of Government under-regulation, as seen in the laissez faire ultra-Capitalism

that caused the current economic recession, is economically or socially viable in the long term, so the Government must strive for a balance between these extremes, a balance that provides a degree of equity across the whole socio-economic spectrum in order to maintain a viable economy and a stable society, but also offers a fair-go to all individuals regardless of their socio-economic status in order to maintain a vibrant economy and society.

3.4 Any business organisation needs support staff who are not directly productive, i.e. cleaners, store-men and inventory clerks, pay clerks, training personnel, administrative personnel and executives, etc., but the profitability of an organisation depends primarily on the people actually manufacturing goods and/or supplying services for profit – any company comprised entirely of executives and other support personnel would find it very difficult to generate a profit. So although it may appear to offer short-term benefits, the laying-off of productive workers in order to preserve executive salaries and investor profits can only result in the decreased commercial viability of a business in the longer term. It is therefore necessary to achieve and maintain an optimum balance between the number of support staff and the number of genuinely productive staff in any organisation, and between the salaries and benefits paid to support staff and the wages and benefits paid to genuinely productive staff.

This principle applies to a nation every bit as much as it does to any business enterprise – for Australia to remain economically viable it needs to have the right balance between productive workers and support personnel, i.e. between industry and commerce and the public service and politicians and their advisers and other parasites – a certain number of beneficial parasites, be they cleaners or senior executives or politicians, is essential for the health of any socioeconomic organism, but there are problems when the parasites become too many or are paid too much.

There therefore needs to be a cap on executive salaries to keep them well below recent levels – no executive's time or labour is genuinely worth 20 or more times that of the persons actually providing the products or services being sold by his/her company! – and/or the marginal tax rate for income over about 10 times the national median income needs to be increased to about 80% so as to return most of such unfairly obtained personal gains to the whole community, taxation reform being my preferred option because it will affect all individuals with high personal incomes from whatever sources, not only highly paid company executives.

3.5 *Excessive non-productive or unearned income, such as inflated executive salaries and bonuses and too large a proportion of income being derived from returns on investments, royalties, etc., has to be paid for somehow, and it is paid for by inflation, with the true value of a currency decreasing in proportion to the total amount of "unearned income", income that is derived from non-productive sources.*

Except in times of severe recession the Reserve Bank generally adjusts interest rates to keep investment earnings above inflation, i.e. to maintain the "Investment Economy", as occurred during the time of the Howard Government. The inevitable result of this policy is an inflationary spiral ending with a recession or a depression when inflation reduces the general spending power to an unsustainable level and/or the interest rate becomes so high that it is unsustainable.

The taxation system could and should be used as a means of minimising the adverse consequences of unearned income by taxing it more highly than wages and other income derived from genuinely productive activities, and the most convenient and effective way of doing this would be by imposing higher taxes on higher incomes.

3.6 The change to more automated production and fewer working hours is occurring more slowly than most futurists seemed to anticipate, and there have probably been more changes in the types of job than actual job losses as a result of what change has occurred in the workplace to date, but the trend towards automation is likely to continue and if it does our society will need to adapt to it, not merely in terms of people having to adapt to having greater leisure time but also much more fundamentally, in providing jobless people and part-time workers with the means to support themselves and in adapting the taxation system to compensate for the reduction in the income tax base that will result from reduced individual and cumulative working hours.

There therefore will need to be a managed transition from a primary dependence on income taxes to a primary- or perhaps even sole-dependence on taxes on commerce and industry.

Unfortunately I am not a futurist so I can't even guess at the timeframe likely to be involved, all I can say is that with increasing mechanisation and automation of production there will be less jobs and that economic reform will have to be introduced and managed to take this into account or sooner or later there will be social and economic disaster.

3.7 The problems posed by Climate Change are more economic than technological – we already have the means to introduce cleaner energy and transport systems and greater energy efficiency if we had the will to finance the large scale introduction of these technologies. However if we depend on laissez-faire Capitalism to introduce these technologies they wont be introduced, because they will be priced beyond the means of the majority of ordinary people.

We therefore need to introduce a more managed and a more equitable economic system if we are to succeed in meeting the challenges resulting from climate change.

3.8 This proposal deals primarily with social security and personal taxation. As regards commercial activities I believe that taxation should be entirely on profits, not on the costs of doing business. However if the problem of tax avoidance via “creative accounting methods” cannot be overcome then other taxes that are more difficult to avoid, e.g. a payroll tax, may have to be levied.

Section 4. – Implementing and funding the system

The proposal would require costing by Treasury and should take into account the following:

4.1 Ideally there should be single and partnered rates of subsistence payments, similar to the current single and partnered pensions, in acknowledgement that people living together benefit financially by sharing the cost of accommodation. Similarly, single persons living at the same address and boarders who are only paying for a room or a bed rather than full rent should receive the lower rate of payment because they are sharing the cost of accommodation.

However in practice it may be preferable to have just one across-the-board adult rate of payment – the taxation department computers probably could be programmed to recognise shared addresses and adjust payments accordingly, with an appeal process available for anybody able to show that an assessment was incorrect, but this would add complexity and cost to the system and some people would still manage to beat the system, so it would probably be better in practice to have just one standard adult rate of payment and allow those sharing the cost of housing to benefit from that.

4.2 There should be additional payments for parents with children living at home, similar to the current Family Tax benefits, with provision for sharing the child allowance where separated parents have shared childcare, proportionate to the time spent with each parent.

4.3 The level of payment should be adjusted regularly, at least every 12 months or perhaps even every 6 months, to reflect changes in the cost of living.

4.4 Consideration might also be given to adjusting allowances by postcode to reflect the different cost of living in different places, if the degree of variation in cost of living warranted this and the cost of implementing it was not excessive.

4.5 In the scale of "tax brackets" –

4.5.1 The tax-free threshold should be just above the level of the Government subsistence payment (i.e. rounded to the next \$1000 above it) so that persons who are solely dependent on that payment (e.g. retirees without superannuation, people who are unable to work because of disability or health limitations, etc.) do not have to pay income tax.

4.5.2 The tax rate for the income bracket immediately above the tax-free threshold should be increased to 30% of income so that even low-income earners are contributing towards the repayment of the subsistence allowance they have received. I have nominated 30% as the rate for the lowest tax paying bracket because this results in a similar nett income to that for a person with the same income on the current tax scales and because the rate should not be so high that it provides a disincentive to work – if there is negligible perceived benefit from working many people simply wont work, i.e. for the system to work it will need to take human psychology into account, so it is more important to encourage people to work than to try to make people on low incomes repay all of the subsistence payments they have received.

4.5.3 Each tax bracket should have an upper threshold equal to double the amount of the upper threshold of the bracket immediately below it (the top one excepted of course).

4.5.4 The rate of tax rate payable in each tax bracket should be 10% more than the rate for the bracket immediately below it.

4.5.6 The top marginal tax rate for persons receiving obscenely high personal incomes, e.g. more than about 8 or 10 times the national median income or more than 32 times the bottom marginal tax threshold, should be in the order of 80%, not below 50% as it is at present.

4.5.7 Table 1. (below) shows personal tax payable and nett personal income under the proposed new tax rates on the basis of the current pension rate and cost of living. Table 2 provides the 2007-08 tax rates for comparison. The figures in blue are provided to make comparison easier.

Table 1 – Proposed new Tax Rates

Taxable Income Formula	Amount	Marginal Tax Rate	Tax on Threshold Amount	Nett Income
	\$1	Nil	Nil	\$1
NLA x 1	\$12000	Nil	Nil	\$12000
	\$12001	0.30		
NLA x 2	\$24000	0.30	\$3600	\$20400
	\$24001	0.40		
NLA x 4	\$48000	0.40	\$13200	\$34800
	\$48001	0.50		
	\$75000	0.50	\$26700	\$48300
NLA x 8	\$96000	0.50	\$37200	\$58800
	\$96001	0.60		
	\$150000	0.60	\$69600	\$80400
NLA x 16	\$192000	0.60	\$94800	\$97200
	\$192001	0.70		
NLA x 32	\$384000	0.70	\$229200	\$154800
	\$384001	0.80		
Proposed top threshold = NLA x 32 = \$384,000				
Proposed top marginal Tax Rate = 0.80				
NLA x 64	\$768000	0.80	\$536400	\$231600
NLA x 128	\$1536000	0.80	\$1150800	\$385200

Table 2 – Current Tax Rates

(from 2007-08 Tax Tables)				
Taxable Income	Marginal Tax Rate	Tax on Threshold Amount	Nett Income	
\$1	Nil	Nil	\$1	
\$6000	Nil	Nil	\$6000	
\$6001	0.15			
\$25000	0.15	\$2850	\$22150	
\$25001	0.30			
\$75000	0.30	\$17850	\$57150	
\$75001	0.40			
\$150000	0.40	\$47850	\$102150	
\$150001	0.45			
Current top threshold = \$150,000				
Current top marginal Tax Rate = 0.45				
\$192000	0.45	\$66750	\$125250	
\$384000	0.45	\$153150	\$230850	
\$768000	0.45	\$325950	\$442050	
\$1536000	0.45	\$671550	\$864450	

Table 1 (above) assumes a subsistence payment or NLA (National Living Allowance) of about \$12,000 per annum and a national median income of about \$45,000 or \$50,000, making an income of \$384,000 (just on the top threshold) equal to 32 times the tax-free threshold (or 32 times the income of anybody on a minimum income) and about 8 times the national median income. It is also assumed that with inflation or deflation the relative proportions will remain similar. So under this system the cost of living assessment will determine the NLA and the NLA will determine the bottom tax margin and the bottom tax margin will determine the tax brackets above it, and this should be a consistent formula consistently applied, with regular (preferably annual, or at least biennial) adjustments to ensure that.

4.6 The subsistence payment (i.e. the NLA) should count as normal income when persons earn other income, there should be no tax-free income other than that below the tax-free margin, therefore no tax-free pensions, all persons with the same income should pay the same amount of income tax, the only tax-free income should be that below the tax free threshold.

4.7 All private income from investments should be counted as normal income, concessions such as franking benefits that allow investors to minimise tax should be discontinued, all persons with the same income should pay the same amount of income tax regardless of the source of that income and regardless of the payment of company taxes, the only tax-free income should be that below the tax free threshold. If incentives for particular industries, e.g. the film industry incentive, are genuinely desirable then they should be provided by means other than the taxation system.

4.8 All fringe benefits, including private use of a motor vehicle, bonuses, share issues, etc. should be declared at their actual value and counted as income for taxation purposes. Actual costs incurred in earning income, e.g. travelling to and from work by the least expensive means (not by private helicopter!), genuine “on the job” travelling expenses (including vehicle mileage), special work attire (compulsory uniforms or necessary safety clothing etc.) would still be deductible (travelling to and from work isn't currently deductible but it should be).

4.8.1 It is my belief that executive bonuses do not take into account the contribution of other employees to company productivity (in reality these bonuses are awarded not because of productivity but because the persons awarding them to themselves have “the power of the purse”). I therefore believe that if bonuses are to be paid management should set aside a portion of company profits for that purpose and should then distribute it to all employees, with each person receiving an amount directly proportionate to his/her annual wages or salary. I further believe that Government could legislate to ensure that profitability bonuses are more fairly and equitably distributed, and that they are genuinely based on profitability, i.e. on annual dividends and not on share prices, because share prices are not a measure of company profitability, they only measure what gamblers believe the company is worth.

4.8.2 The use of a major company asset such as a yacht is a fringe benefit that is sometimes available to senior executives or directors. In line with my position re equitable sharing of profitability bonuses (ref. point 4.8.1 above) I also believe that there should be equitable sharing of any recreational assets owned by a company. This could be achieved by having a greater number of less costly recreational assets (e.g. a couple of dozen tinnies for fishing and a few sailing yachts instead of a single luxury yacht) to be made available to all employees on days off and holidays, with a properly administered booking system (similar to that of the Airmen's welfare association at RAAF Garbutt during the 1960s and 70s) to ensure fairness of access. Where a company chooses to provide a major recreational asset exclusively for the use of senior executives and/or directors then the true value of that asset would have to be declared as taxable income, i.e. the annual cost of the asset to the company, including depreciation, would be divided among all those eligible to use it and each person's portion of it would have to be declared as taxable income.

4.9 The incomes of families cohabiting in a single residence or with student children up to 25 years old who are living away from home during the academic year should be averaged, using a single family tax return listing all family members and their TFNs, so that families with the same total income pay the same amount of tax instead of those with one taxpayer on a higher income than the other paying more tax as is the case at present. This should be the only exception to the rule that all persons with the same income should pay the same amount of income tax, the basic

rule being modified in the case of eligible families so that all families with the same income will pay the same amount of income tax.

4.10 Gambling, whether on the stock market or in a casino, is ultimately detrimental to the economy (unearned income being a major underlying cause of inflation) and is a major social problem. As a concession to the large number of people who like to gamble, one-off major gambling wins or a pattern of wins and losses that results in negligible nett benefit to an individual taxpayer would be tax free, but in order to provide some control over gambling and to minimise the use of gambling for money laundering, and to ensure that any persons who make a living from gambling pay tax on their income, any overall gambling profits other than from a single major one-off win should be regarded as normal income.

4.11 To keep track of income from gambling or from black-market activities details of the personal bank accounts of all persons should be available to the taxation department so that any income over and above that received from wages and/or other declared sources can be identified and acted on. To facilitate this banks would be required to submit an annual statement of the opening and closing balances of each account for that taxation year together with a monthly summary of account credits and debits, with more detailed records being made available on request. With current computing and electronic communications technology this would not be an unreasonable imposition on the banks.

4.12 All persons receiving the National Living Allowance will have a Tax File Number. Some persons not eligible to receive the NLA (e.g. non-residents holding work visas, such as people on working holidays) may also have a TFN or a Temporary TFN and these will pay tax at the same rates as those receiving the NLA. Persons who do not supply a TFN or a Temporary TFN to an employer or in any other circumstance where there may be an obligation to pay tax will be taxed at source at the top marginal tax rate, i.e. 80%.

4.13 Persons convicted of tax avoidance will be liable for payment of the full amount of tax avoided plus interest (at twice the inflation rate of the period of tax avoidance) plus penalties, and in serious cases or if full restitution is not made may also be subject to a term of imprisonment.

4.14 Consideration should be given to introducing an assets tax (no more than one or two percent) on the total of personal bank account balances when that is greater than twenty times the national average (or median?) annual income. Some persons have proposed an across the board bank transactions tax but I believe that this would penalise persons who shifted money between accounts for genuine personal or commercial reasons (or anybody who gave financial assistance or a loan to a friend or a family member), whereas an assets tax on the sum of the balances of a person's private bank accounts (averaged over the year) would be paid only by those with the means to pay it. An assets tax might also be levied on the total value of major assets such as homes, aircraft, yachts, and motor vehicles etc. whose combined value is more than twenty times the national median value of privately owned assets. I am proposing these assets taxes because I believe that for a monetary economy to remain strong money has to be kept circulating and that when too great a proportion of a nation's assets are owned by too small a proportion of its people the economy is at risk of failure, so it is therefore desirable to tax accumulated assets, but not at a rate that would provide a disincentive to individual initiative.

4.15 Wages of low and middle income earners are likely to decrease as a result of workers receiving a National Living Allowance, bringing workers' total income back to near parity with their current total incomes. I believe that companies should be taxed on profits, not on their costs of doing business, but if "creative accounting" prevents recovery of this lost taxation revenue from company profits then a Commonwealth Government payroll tax should be imposed to help offset the cost of providing the allowances and to begin to shift the main tax base from income tax to tax on business profits, whether that tax is simply a percentage of profits or has to include other taxes, such as a payroll tax, to ensure compliance.

Section 5 – Related Issues

Public housing / compo & insurance & disaster relief / superannuation / public health (medical, dental, pharmaceutical) / Immigration control and status of immigrants and bona fide asylum seekers.

5.1 Various other issues should be taken into account if a system like this is to be considered, e.g. we would need to specify when immigrants would become eligible to receive payment of the National Living Allowance and make it very clear that people on visitor and other temporary visas and most illegal immigrants (with the probable exception of bona fide refugees from the South East Asia and Pacific Islands regions) would not qualify to receive the payment.

5.2 A related issue I'd especially like to comment on is that of disaster relief, which has been highlighted by the Canberra and Victorian bushfires and the recent North Queensland and SE Qld and Northern NSW floods.

If you are fortunate enough to have your house burned down or washed away in a major disaster you have a good chance of getting Government assistance, but if you lose your property in an individual disaster that affects only you, nobody else, then it is extremely unlikely that there will be any assistance for you from the Government. And we already have a system in place to provide for property replacement following a disaster, whether it is a major disaster or just one-off – it's called Insurance. And if I, [removed for privacy reasons], can budget to keep my property insured, then there is no excuse for people who are much better off than I am to try to save money by not insuring their property and then expect public assistance when they lose it. So we need a consistent disaster relief system, not just a knee-jerk reaction to big disasters, a system that is based on the established insurance system and penalises those who refuse to contribute (i.e. those who don't insure their property) by refusing them the funds to rebuild if they do lose their property. Obviously the government should provide emergency relief immediately following a disaster, especially after a major disaster when it will be more difficult to provide accommodation and clothing and food for a larger number of affected people, but I have no sympathy for those who have expensive homes but fail to insure them, if they wont contribute to the disaster relief fund (i.e. wont pay their insurance premiums) when times are good then they have no right to call for public assistance if they get caught out?

So if the Government is going to go into property insurance it should do so methodically, not just when there's a blaze of publicity (pardon the pun), by providing insurance subsidies to people on low incomes and to people whose property is assessed at a very high rate by commercial insurers (though if the risk is so great as to make insurance unaffordable perhaps people should be encouraged and/or assisted to relocate), so that nobody has an excuse for not being insured, and then when a major disaster occurs the Government should be responsible for immediate humanitarian assistance and for the replacement of affected public infrastructure, but not for the replacement of private property.

I recognise that this is not strictly a taxation and social security issue, but it is related to social security, just as my proposal for an alternate way of dealing with insurance pay-outs for injuries (see point 1.2) is related to social security.

In a monetary society like ours (as distinct from a subsistence society like in much of PNG) the Government should provide assistance (i.e. social security) to people in genuine need to ensure that acceptable minimum living standards are maintained and to ensure that the economy remains viable in the long term, and I believe that an across-the-board National Living Allowance as outlined above would be the best way to do this, but the Government should not be providing assistance to people who had the means to insure their properties but were simply too stingy to do so. Our commercial insurance system is the mechanism in place for replacement of personal property lost in any disaster, small or great, and the Government should not encourage people to bypass this system by paying compensation for the loss of or damage to personal property, even as a result of a major disaster, unless the Government itself actually caused or significantly contributed to the loss or damage, which I believe is already covered under current legislation and legal processes.