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**NJ and SN Smith**  
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23<sup>rd</sup> April, 2009

**File:** EXE2008/2082

Australia's Future Tax System Review Panel  
c/- AFTS Secretariat  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Members of the Review Panel,

Following is our formal submission to the Australia's Future Tax System Review Panel and replaces a letter sent to Dr Ken Henry (17.11.2008 and emailed 5.11.2008 – Reply 16.1.09 File: EXE2008/2082). Could we please request that our original letter to Dr Henry be attached to this formal submission as it contains some additional background information.

DOCKETcard SUBMISSION TO AUSTRALIA'S FUTURE TAX SYSTEM  
REVIEW PANEL

The DOCKETcard concept

The DOCKETcard concept is a data recording and data transfer system that uses the internet to transfer a tax invoice from the Point of Sale to an online database. This transfer is achieved via an integration module within the Point of Sale system. The DOCKETcard holder is identified by a smartcard at the time of purchase and this unique identifier is permanently attached to the tax invoice. The DOCKETcard will also allow the retailer to store the DOCKETcard holder's details on the Point of Sale system for future reference or retrieval. The DOCKETcard holder can access the tax invoice from a home, office or business computer, download it directly into an accounting program or copy and save it in an appropriate folder in a DOCKETcard file on the computer. For a flowchart summarising the above process, visit [www.docketcard.com.au](http://www.docketcard.com.au) (Password – guest).

Having read the Review Panel's First Consultation Paper Summary, we have identified three areas of Australia's Future Tax System where DOCKETcard could play a significant role. These are –

1. Efficiency - the Time and Cost of Compliance
  2. Environmental Sustainability, and
  3. The Role of Technology
1. Efficiency – the Time and Cost of Compliance

According to Section 2 - Principles and Features of a New Tax-Transfer System, efficiency is one of 5 design features a well designed tax transfer system should have. Efficiency is essentially a measure of the time and cost of compliance or how much of an individual's time and resources "are diverted from more productive or satisfying activities". Much of the present time and cost of compliance is in the manual entry of data from paper tax invoices onto computer accounting packages. In 2002, this cost was estimated by the ICAA to be \$2 billion p.a.

The DOCKETcard Integration Module at the point of sale will eliminate this time-consuming process by capturing the data, extracting a digital version of a tax invoice with line items from a point of sale system and then moving that tax invoice to an online database using a secure internet connection. Along with the elimination of the manual entry of data comes the elimination of errors of transposition – small mistakes in numbers or decimal points that occur in transposing data from paper tax invoices onto a computer program. These errors add to the inefficiency because they can take hours to find. If mistakes are not realised, or found, then inaccuracies occur and therefore the amount of tax paid will also be incorrect. DOCKETcard will result in electronic tax invoices emailed directly to the office computer becoming the norm. The phasing out of paper tax invoices will be welcomed by all who have experienced the frustration of trying to read faded or damaged tax invoices, or have wasted time looking for lost invoices. With an increase in the efficiency of the tax system, more tax payers will comply because it is easier to comply.

Increased efficiency has the potential to affect all Australian tax payers to reduce their cost of compliance of completing their annual tax returns, their quarterly BAS or both. DOCKETcard can be used across the tax spectrum from employees to small business, farmers and incorporated bodies such as charities, sporting and social clubs to record taxable goods and services.

## 2. Environmental Sustainability

The implementation of DOCKETcard has the potential to reduce carbon emissions in three areas because –

- presently the manual entry of data from paper tax invoices to a computer occurs in a lighted and air conditioned (heated or cooled) office often at night resulting in high energy use and associated carbon emissions.
- paper tax invoices will eventually become a thing of the past, reducing the number of trees to be cut down and the energy costs involved in manufacturing this paper.
- the use of DOCKETcard with a unique email address would allow retailers to directly target consenting customers with electronic sales catalogues/brochures rather than manually distributing paper catalogues with a saving to the environment in landfill, energy and carbon emissions.

## 3. The Role of Technology

DOCKETcard will combine the most widely used, user friendly, electronic technology - the swipe card; with the most modern, low cost means of communication - high speed broadband, via an integration module at the point of sale. This will complete the "electronification" of the Australian tax collecting system as all other aspects of the tax system already have electronic options.

### Wider Applications of DOCKETcard

With the introduction of multifunctional chip technology and modern encryption and security measures, DOCKETcard potentially will have a wider range of applications that will benefit all aspects of the Australian economy. These would include –

- Government – A debit card facility where it could be used by Government to provide local, State and Federal Government could deliver many of their services, such as –
  - an efficient means of delivering targeted one-off payments accessible only in Australia e.g. future stimulus packages, disaster relief, textbook and back-to-school allowances, the apprentice toolbox bonus, the baby bonus, etc.
  - an alternative means of delivering monetary assistance via a debit facility to welfare recipients i.e. Centrelink payments, DVA and Medicare rebates, etc.
  - an efficient, electronic, work related expense account for Government employees.
  - a valuable trace back mechanism in recall emergency situations, and
  - an accurate picture of where welfare dollars are being spent.
- Consumers - it will provide a proof of purchase card for warranty or insurance purposes.
- Retailers - it will provide a means of contacting customers electronically in the case of recall of defective or contaminated goods and the direct marketing of consenting customers.

### How Will DOCKETcard Pay for Itself?

Once implemented, the potential income from DOCKETcard could be generated by issuing approximately -

- 10 million DOCKETcard Personal cards at \$30 p.a. per taxpayer = \$300 million. This will provide cardholders with an electronic tax invoice that can be used for proof of purchase for warranty, insurance, claiming of work related expenses from employer and/or completion of annual tax returns.
- 2 million DOCKETcard Business cards at \$200 p.a. per business = \$400 million. This card will provide small business and farmers and incorporated bodies with all the functions above as well as being enabled to be formatted into Quicken or MYOB accounting packages for the completion of Business Activity Statements, annual tax returns etc.

DOCKETcard Government could be provided as an additional facility to either DOCKETcard Personal or DOCKETcard Business to deliver payments to recipients as required e.g. the baby bonus, textbook and toolbox allowance payments. Welfare recipients would be given a DOCKETcard Government card and payments could be made through a debit card facility or directly into a bank account. Such a facility could even be used to restrict the purchase of certain goods such as alcohol and cigarettes.

In addition, a debit card/credit card facility could be added to either of DOCKETcard Personal or DOCKETcard Business for a reasonable annual fee. Greater competition

in the smartcard marketplace will result in lower interchange fees, transaction fees and interest rates that will benefit all areas of the economy.

A Practical Application of the New National Broadband Network and Telecommunication Reform

The announcement by the Prime Minister, the Hon. Kevin Rudd, on 7<sup>th</sup> April, 2009 that a company will be established to build and operate a new super fast National Broadband Network will not only provide the capacity required to operate DOCKETcard but the reforms required to establish DOCKETcard. It will guarantee access to the Point of Sale 'real estate' that has up to now been the closely guarded territory of the Banks. This will happen because the reforms accompanying the rollout will deliver "separation between the infrastructure provider and retail service providers. This means better and fairer infrastructure access for service providers, for families and businesses" (Media Release from the Prime Minister of Australia re New National Broadband Network – 7.4.2009)

In conclusion, the implementation of DOCKETcard will significantly contribute to a more efficient Australian tax-transfer system with the potential to provide benefits to the whole Australian economy.

Yours faithfully,

Nigel and Sue Smith

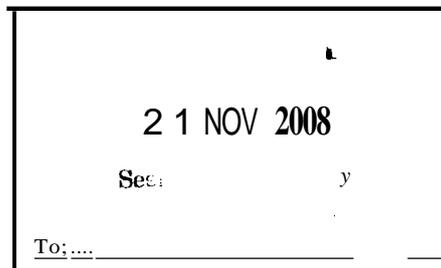
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Dr Ken Henry  
Secretary to the Treasury  
1 Langton Crescent  
PARKES ACT 2600



Dear Dr Henry,

We have read with interest transcripts from recent press items last week where you foreshadowed a radical overhaul of the tax system to make it simpler. Any overhaul of the tax system must include a means of eliminating the manual entry of data onto computer, thereby phasing out paper tax invoices and completing the "electronification" of Australia's tax recording and collection system. We have developed the DOCKETcard concept to simplify the tax recording process.

The DOCKETcard concept is a data recording and data transfer system that uses the internet to transfer a tax invoice from the Point of Sale to an online database. This transfer is achieved via an integration module within the Point of Sale system. The DOCKETcard holder is identified by a smartcard at the time of purchase and this unique identifier is permanently attached to the tax invoice. The DOCKETcard could allow the retailer (with the cardholder's approval) to store the DOCKETcard holder's details on the Point of Sale system for future reference or retrieval. The DOCKETcard holder can access the tax invoice from a home, office or business computer, download it directly into an accounting program or copy and save it in an appropriate folder in a DOCKETcard file on the computer. For a flowchart summarising the above process, visit [www.docketcard.com.au](http://www.docketcard.com.au) (Password - guest).

The development of the DOCKETcard concept arose with the introduction of the GST and the associated BAS by the Howard Government in 2000. We lobbied hard for the use of swipe card infrastructure at the point of sale to electronically collect and record tax invoices to eliminate the manual entry of data. We initially called our concept BAScard however, while we had support from the Institute of Chartered Accountants of Australia (see enclosed letter) and from politicians across the political spectrum, problems of infrastructure incompatibility and ownership, and the 'yellow pages' philosophy of the then Minister of Small Business, the Hon Ian McFarlane, scuttled our efforts to have BAScard introduced. The introduction of the high-speed Broadband and multifunctional chip smart cards allowed us to rethink the concept

using the Internet rather than swipe card infrastructure. DOCKETcard was the product of these changes.

Not only will DOCKETcard save Australian business many billions of dollars per annum in costs associated with the manual entry of data and the preparation of the BAS (\$2 billion in 2002 from ICAA estimates), it will also establish an electronic smartcard network, independent of the Banks, with a wide range of applications that will benefit all aspects of the Australian economy. These include-

- Small Business - it will eliminate the manual entry of data from paper tax invoices into a computer accounting package, thereby saving time and money. It has the potential to eventually eliminate paper tax invoices and will result in the complete 'electronification/digitisation' of the Australian tax collecting system.
- Government - DOCKETcard could be the avenue by which local, State and Federal Government could deliver many of their services, such as -
  - an efficient means of delivering targeted one-off payments e.g. disaster relief, textbook and back-to-school allowances, the apprentice toolbox bonus, the baby bonus, etc.
  - an alternative means of delivering monetary assistance via a debit facility to welfare recipients i.e. Centrelink payments, DVA and Medicare rebates, etc.
  - an efficient, electronic, work related expense account for Government employees.
  - a valuable trace back mechanism in recall emergency situations, and
  - an accurate picture of where welfare dollars are being spent.
- Employees - it will provide a means of recording work related expenses to be claimed back from the employer or for taxation purposes.
- Consumers - it will provide a proof of purchase card for warranty or insurance purposes.
- Retailers - it will provide a means of contacting their customers electronically in the case of recall of defective or contaminated goods, or with their permission, the direct marketing of regular customers, saving paper, printing and postage costs.
- Incorporated Bodies - Charities, sporting clubs, service clubs etc provide honorary treasurers and other executives with the means to claim expenses and keep accurate electronic records for monthly meetings.

In addition, a debit card/credit card facility could be added to either of DOCKETcard Personal or DOCKETcard Business for a reasonable annual fee. Greater competition in the smartcard marketplace will result in lower interchange fees, transaction fees and interest rates that will benefit all areas of the economy.

DOCKETcard Pty Ltd will earn its investors a generous return on their investment. The income from DOCKETcard would be earned by issuing approximately-

- 10 million DOCKETcard Personal cards at \$30 p.a. each = \$300 million. This will provide cardholders with an electronic tax invoice that can be used for proof of purchase for warranty, insurance, claiming of work related expenses from employer and/or completion of annual tax returns.

- 2 million DOCKETcard Business cards at \$200 p.a. per business = \$400 million. This card will provide small business and farmers and incorporated bodies with all the functions in 1 above as well as being enabled to be formatted into Quicken or MYOB accounting packages for the completion of Business Activity Statements, annual tax returns etc.

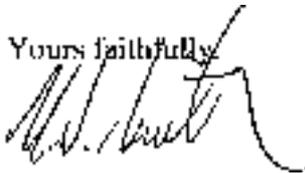
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We strongly believe that modem swipe card infrastructure using the high speed broadband network should be considered as infrastructure of national importance. The national importance of smart card infrastructure was highlighted as far back as 1997 in a study conducted by consultants for the Victorian Government on behalf of all Australian Governments, titled 'Smart Cards as National Infrastructure: Results and Recommendations of an Intergovernmental Review'. On this basis we have written to Infrastructure Australia asking them to -

1. consider the current state of Australia's swipe card infrastructure as part of the proposed audit
2. put the DOCKETcard concept on the priority list as modem multifunctional infrastructure using the high speed broadband network that will solve the current problems in taxation/business areas and help provide Government services
3. help establish a public/private partnership to fund the rollout of the DOCKETcard infrastructure.

We would appreciate your support in this submission to Infrastructure Australia and look forward to discussing the DOCKETcard concept with you in the near future.

Yours faithfully



Nigel and Sue Smith

