

Dear Sir/Madam,

Thank you for allowing public submissions to your review of the Australian Tax Laws.

Whilst conducting your review, I would like to add my one hundred and forty-one cents (my business hourly wage for the few hours it took to write this, more on this later) about the Australian Tax Laws which is becoming more and more complex, so much so, that more Tax Compliance Officers are being appointed, as well as a steady rise in Tax Agents. This fact alone should prove that there is case that the Taxation system is in dire need of an overhaul.

I was disappointed that when the GST was introduced that most states chose to retain taxes that were supposed to be removed, such as Stamp Duties on Insurance Policies, which are often higher than the GST component, and seem to be calculated on it. This shows a double-dipping effect that my state government took on.

For starters, there are many other levies and taxes that are levied on me that are tied to my property value. My income doesn't rise as fast as my property price has, but it appears to my state government, my capacity to pay does. The State government is currently refusing to negotiate the Enterprise Bargaining Agreement, and has referred to the Industrial Commission. Starting this Thursday, I will receive an inflation based payrise award by the industrial commission. This is worth approximatley, \$3000 per year. 3.75%. Our last negotiated rise was in October 2007, it is now 18 months later.

I'm not adversed to paying tax. If I didn't, I would not be employed, because I work for the State Government. Second of all, there are services that need to supplied which are beyond my capacity to pay in user-pays system.

My taxation gripes:

#### **Sewage Rates**

I'm thankful I live in a regional area, because I manage my own sewerage. I do not pay any other levies relating to this. This allows me actually save this additional rates to cover other charges. I pay a fixed amount per a year to a private firm to have my aerobic septic system managed, including maintenance and council reports. I am still charged \$45 per quarter just for having water running past (I won't mention the \$1700 it cost to connect the water). I'm not worried by that though, as it is a fixed charge that rises with inflation, and not based on my property value.

On the flip side, members of my family in metropolitan Adelaide have sewerage rates based on property value. This means when I flush my toilet, it is considerably less cost for me then that of my siblings. What was curious, is that it costs more for my parents living in an inner suburban to flush their toilet, than my brother in the outer southern suburbs. Irrespective, logically should cost the same for the toilet to flush, about the same rate it costs for me. Ironically, there is no incentive for any of my family in suburbia can disconnect from this sewerage system. If they do disconnect, and locally manage like I do, at considerable expense, then the sewage rates still apply, because it runs past their house, despite the fact they don't use it. In fact, some councils prohibit the installation of water recycling systems. In the driest state, on the driest continent, this doesn't make any sense. Councillors one day will realise you can't drink money. If I'm a pensioner in my own property, how on earth does it cost more to flush then toilet then that of a toilet of an average income earner in the outer suburbs?

Again, a fixed charged would be more appropriate in these areas, rather than based on property prices.

## **Council Rates**

Over the past 3 years, my council rates rose from \$625 on my vacant block of land, which basically had no services (not even a bin) to nearly \$900. This includes another levy to fund a Natural Resources Management Board. My income in this period rose by just under inflation over this period, but my property value jumped from \$110,000 to \$250,000, and although the rate in the dollar dropped, it didn't offset much of the council's rise. This represents around 25%, when my income only rose 10%. Whilst I was renting here, as part of my rent, my landlord paid these rates. So whilst I was organising my property, I was paying the rates through my landlord, as well as directly on my undeveloped property. The council has finally got smart and has a fixed component to the rates, then a lower percentage than in the past for the variable portion.

Why does the council budget process operate in reverse to normal person budget? I mean, I know I have an income, and I live within my means. I also have to allow for unforeseen expenses. A council is able to decide what they want to, then decides how much to tax its residents to fully fund it. Add to that there are now services that the State Government has offloaded to the Councils, and councils have to fund these services. As a business operator, I can't do that! I can't say, "I'm going to sell 20 laptops, then charge whatever I want. Competition forces me to keep competitive. Because a council is a monopoly, I can't say to them, "I think your rates are too high, I'm going elsewhere". Accountability is next to nothing, and I have to grin and bear it.

Once again, a fixed charge to each property owner.

## **Emergency Services Levy**

This is another pet issue. As then the state liberal government was short on cash to fund the emergency services, it gave the people a choice between a levy, and selling our major power utility. As smart south australia, we elected the levy, but the government also sold the electricity too. This levy is applied to property, based on property value and a fixed fee on all mobile property. Whilst only \$50-\$60 a year, it is still calculated on property value, which again is a perspective thing.

## **Property-Valued Based Taxation**

Why is it that because my worth more on the market, despite the fact that I do not intend to sell it and live here, suddenly my capacity to pay taxes increases? I would love to see this system abolished and a fixed-fee introduced to replace it? As for investor, because it is factored as part of the rent, then the people most likely to use these service are paying by proxy.

## **Dog Registration Fees**

This one really got my goat when it was introduced. My registration fees for my dogs rose from \$10 to \$27.00 whilst I lived in the Mitcham Council district. The government introduced a new Dog and Cat Management Board. This near tripling of the fees fully funded by Dog Owners has introduced, basically another board which to me all I have seen is fulfil this objective: Undertake Radio and Television advertising campaigns to raise the awareness of responsible dog ownership. The fact that cat owners can have 50 cats and not pay a cent, but my two dogs cost me \$48 each year, when previously I have to pay \$20. Whilst I can bring the fees down, the additional costs from the Vet and Training, don't make cost effective sense. I understand the need for Registration, and it seemed well funded up till the 1st of July 2004. Since moving from Adelaide to my regional community, the irony is my rego fees dropped by \$6/year. Pretty much all metro councils put their rates up to the maximum allowed, whilst my new council, only put it enough cover their expenses, plus a bit.

What still gets my goat up though, is the fact that me a responsible Dog owner is paying for management of Cats as well? And councils end up managing a feral cat problem? The honest people are the one that foot the bill for those who don't care.

### **Motor Vehicle Registration/Transfer**

In 2007, I purchased a secondhand vehicle for \$4500. After checking the fees on the website, I took the new certificate in to the Motor Registration Office, with the transfer fee to pay. A total \$21. I was advised at the counter that I would also have to pay a stamp duty of \$124 on top of the transfer fee. This was calculated based on the cost of the car I purchased. You could guess that I was little peeved, because basically it took me another two weeks and a late fee of \$15 to save for the fee, which was basically 1 minutes of work on a computer screen. \$160 for a minutes work, just to stay legal. Adult chat lines are cheaper. If memory serves me correct, the transfer fee was GST Free.

I've taken the oppourtunity to to look up 12 months rego.

The registration fee for my 6 cylinder car is \$193.

A compulsory third part insurance is \$295.

Stamp duty applicable on the insurance premium is \$60.

GST Component of the CTP insurance of about 8% is applied for private use, around \$24.

Then the emergency services levy of \$24.

Then an administration fee of \$6.

This brings 12 months registration to a total of \$578, of which taxes make up \$283 or nearly 49% in state taxes.

As a budget move, I can elect to pay quarterly, which incures additional charges over the year bringing up to \$616.

Again, I no objection to pay fair charge, but tax on tax sucks, then an administration fee, effectively \$6 to print and post a label. In this day of computers, why a label is still required is beyond me? If a police officer wants to check whether my vehicle is register, they have the information at their fingertips.

### **Insurance Stamp Duty & GST**

This another bug bear. Taken directly from the RevenueSA Webiste:

Does GST form part of the Dutiable Premium?

Stamp duty is calculated on the GST inclusive value of a premium. The definition of "premium" includes any amount charged to a policy holder to defray or offset the insurer's liability to GST. The Commonwealth has amended its GST legislation to limit the cascading effect of GST and stamp duty on the calculation of premiums.

So simply put, a 10% GST is included the premium, under the Federal Taxes. Then Stamp Duty is calculated on top of it. Thus also a Tax on a Tax. My home and contents insurance was \$580, of which a stamp duty is applicable for \$60, and GST of \$47.27. This make nearly \$110 of taxes applicable for insurance polcy. This makes a state tax levied on a federal tax. I don't really care, which way it works it, but I would appreciate a single tax on it, whether it be Stamp Duty or GST.

### **Microbusinesses Taxation.**

Surely, it possible to save money, by reducing complexity. In turn, this reduces compliance costs, which reduces compliance officers, which saves money. This seems very logical. But every year, sometimes twice, I see in the paper a huge half-page add calling for multiple positions for Taxation Compliance Officer, both state and federal. Allowing for attrition, the size keeps growing.

As a micro business operator, I realise that my tax return is a little more complex. This is where it get a little tricky.

I primarily earn income from my government job, but it has a small supplement with my microbusiness. My turnover is close to \$50,000 per annum. In actual fact, my employees are better paid than I am for running the business. I calculated my hourly rate, based on all time spent in administration, and fill out forms, and ordering, on the phone, on the internet. My employees are paid casually, at either \$26/hr or \$30/hr depending on the work. Given all the time spent, managing this microbusiness, my hourly rates works out to almost 3rd world wages. I made \$2500 last year from my microbusiness, my employees earned nearly \$4000 between them. If I had to depend on this for a living, I'd quit. I can be better paid at McDonalds or Woolworths.

Half the language used in the eTax program needs an interpreter. I still don't quite get it, and it is possible for me to misunderstand something, and then be penalised because I didn't understand it. If I want help, it's not usually available at 2am when I need it. I still have a normal job to manage.

There is hypocrisy in the system. With the BAS statement, because I am GST registered. Now, I am under the threshold for needing registration. It is very difficult for me to cancel my registration, and then everytime I sell something, I have to give a statement advising my customer that I am not GST registered, which in turn lessens confidence in my education and small business customers. There is less paperwork by being voluntarily registered. Yet I don't understand what my requirement if I want to wind up or deregister. I also pay employees so I must be a registered PAYE Withholder employer too! Irrespective, I have to file Quarterly Installment Activity Statement, which attracted a similar penalty if lodged late. I can't win.

So, I am voluntarily registered for GST, because I am under the threshold. Because I pay staff, I am mandated to be registered for PAYE Withholding, and lodged quarterly. Under the business reform by the previous government, I could elect to be registered, with the threshold raised, but it complicated any business dealings I have. I can elect to file a BAS annually. Although I can elect to pay annually, and fill out one report, it means I have to spend the same amount time in a more concentrated period to get it done, and then come up with the money. Given my voluntary status, it really hurts at this point. Because I choose to do it quarterly, if I am late, I could be penalized four times a year for late lodgement.

Because I choose monthly phone bills for budgeting, the same applies, \$5 for late payment, which for Telstra could gain an extra \$60/year. The fact that the Tax Office is enforced it for the voluntary registration is very irritating. At \$110 for each 28 days, I've already been fined twice because I was refused any compassionate reason because of a data file corruption. It took \$660 out of bottom line, and only made a profit of \$1200 this year. Half the time, I think I'm working for the tax office, and the rest of it, I wonder why I am doing this for the 28.5c/hr I make. (It seems I had a pay rise, last year it was 13.6c/hr).

After doing that all, I wonder why I bother.

### **Income Tax/Tax Returns**

It takes me the best part of a day to compile my tax return. As I am a microbusiness operator, I know that there are additional compliance factors, but for my family members, I'm asked to assist in compiling their returns as well. Apart from a Tax Agent, I can read most documentation posted relating to personal return, but I will only assist in simple tax affairs within the family.

But, why should a person with simple tax affairs have to spend an hour or two answering 60 questions, most of which aren't relevant to a normal working person, such as Seniors Tax Offset?

Using the example - Mary works full-time, minimal deductions.

Mary could enter into the eTax software, download her details, verify them, apply a basic working deduction for, say a maximum of \$300. (The maximum amount without documentation) Click. Say this is a fair assesment for my year. Click I agree, digitially sign it, send it back in. Total time: 10 minutes.

You could simplfy it further still for her. Given the power of datatracking, it is possible for the person to use the eTax software to download their details and just say, I believe this is fair assesment, no refund due, no deductions, no worries. This saves a huge quantity of time for the payer, and the tax office. Even for a Centrelink Customer, this step would be a major saving.

I'd argue most peoples affairs are reasonably simple, and to allow for the Medicare levy (and surcharge), an employee can ask for it to be taken from their salary as additional tax. For the more complex return, they can still lodge as normal.

### **Tax Thresholds and Offsets**

This is another layer of complexity that could be removed. A simple solution would be to have a Tax Free Threshold that cuts out at say \$10,000. Then by introducing a 15% threshold to \$30,000 then the thresholds at current level, this would allow those who barely are above the poverty line to reduce their dependance on their centrelink payments. As they would previously be entitled to an offset, this remove the complexity of the offset, thus simplifying.

### **Family Tax Benefits**

This I know will be a sore point. I will work with the basic family, 1 income earner, stay-at-home partner, and a couple of kids. Given a fully functional family, why does the Tax Office need to take the money from the income earner, just to give it back again. Wouldn't it be simpler just to allow them to keep their money in the first place? This saves on administration in the tax office and family benefits office which in turn could reduce the public service (isn't the government always trying to make it smaller?). A simple process by the employer could allow the salary of the income earner to be spilt, thus avoiding multiple handling. Before employers scream, a small administration charge could be levied to cover the extra time and transaction (say \$200 per annum). This removes the overly complex Family Tax Benefits systems, as well as the administration of the Tax Office and Treasury as well. In turn, because no benefits are paid, no claims can be lodged which reduced the demand on the system.

### **Excise on Petrol/GST/8c excise for State Government**

Another tax on tax affair. When fuel is in Adelaide 99c/litre, GST is 9c/litre, Excise at 30.5c and 8c/litre are included. Queensland offers an 8c/litre rebate as it doesn't require the tax in order to run, but still collects GST. This means that QLD collects 8.2c/litre in GST revenue on the 91c/L rebated price. When it hit \$1.70/l, QLD would collect 14.7c/litre. South Australia and all other states collect both. State Government should be forced to elect one or the other, not both. The other option would be to increase the excise to account for the GST but at todays price (\$1.20/litre), then make fuel GST-Free for a revenue neutral. The disadvantage for the state governments then would be when fuel hits \$1.70/litre again.

### **State/Federal Funding**

Progressively, we should look towards being more Australia. This is what federation was all about. The barneying over funding, given that State Governments are not permitted to direct tax, should be ended. Duplication of services, such as Australian Tax Office for Federal, and RevenueSA for State should work towards being abolished. There is a place for state and local governments, but rather than bitching and wasting money (after all, who are the experts at wasting money?).

For example: A national vehicle registration, instead of individual states. If I move to

NSW/Vic/NT, I have to change my licences and vehicles registration, at some ludicrous rates. Not just that, parts of it I have to be reassessed, and my car may not be permitted under certain acts in NSW (age mostly). The state borders are becoming less and less relevant. Whilst I can drive on holidays, if I am going to be in a state for more than 6 months, then I have to comply with their rules. Often not the easiest things to find. The most amount of money is maintained by the federal government, and quite literally, we should look towards abolishing the states, and introduce provinces for local management, a hybrid state-council, ie Province of Yorke Pensisula, Province of Eyre Peninsula, Province of Gippsland, etc.

If only there we someone with the guts to pull it off. I'm a firm believer in "You should only be taxed once". Stamp Duty on GST or GST on Excise should not be permitted.

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Regards,

Samuel Wittwer

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