

I wish to make the following submission regarding the Governments taxation reform.

Could you please forward to the area concerned, and provide me with feedback?

Suggestion1:

Replace payroll tax by a slightly higher GST. This should be done because payroll tax is regressive for employment and places Australia at about a 6% competitive disadvantage to overseas labour. Also, it would get rid of the whole cost of payroll tax administration - a saving in itself. While this would not solve the problem completely, it sure would help a lot. Replacing by a higher GST would ensure the Government would preserve its revenue base and that money still goes to the states, as does payroll tax. This is probably one of the best things the Government could do to boost employment, rather than a \$42B stimulus that was partly cynically done to try to avoid negative GDP in Dec2008 quarter (and which failed) and which will leave a debt in the future. Having said that, the stimulus was necessary, due to the economic mess the world is in.

Suggestion2:

Not tax individual's bank deposit interest, even if this means compensating the loss of revenue by adjusting marginal tax rates. This change would align taxation policy with the national interest (i.e. increase national savings). There is a national shortage of domestic bank funds, and this would help a lot. An added benefit is that individuals could then afford to invest in bank interest rather than in higher risk investments. This would reduce home loan interest rates, as the cost of funds to banks would be lower.

Suggestion3:

Introduce a carbon tax (rather than a Carbon ETS which is sure to fail in its current form), and simply use all revenue raised to build renewable energy production. The level of the carbon tax rate can be adjusted, periodically, so that it is economically responsible, and reflects the overall economic health of the Australian economy. This should be combined with a scheme (based on the German model, but smarter), whereby the Government could allow households to directly invest in large commercial wind turbine energy production (e.g. A.C.T. Woodlawn energy farm), and allow households to offset the energy produced against their household energy consumption (effectively a tax free return to households). I think that economic analysis would show the amount of renewable energy production and the employment that this would create would be staggering. The investment of households could be trailed as a pilot scheme, to mitigate any risk associated with its implementation.

Yours sincerely
Don Young

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