

AFTS RECEIVED  
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Hon Dr Bob Such MP  
Member for Fisher

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AFTS Secretariat  
The Treasury  
Langton Crescent  
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To Whom It May Concern:

I submit the following to the review of Australia's tax system.

The taxation system is far too complex and convoluted. Having hundreds of pages for a Tax Act is ridiculous. In my view, reform of our taxation system needs to aim for simplicity thus lowering the costs to businesses, individuals and the Government. Too much time is spent filling out paper work and trying to comply. It supports an army of tax agents and accountants for little overall economic benefit to the nation. At present Australians pay 125 taxes - 99 federal, 25 state, and 1 local government tax/duty/levy which highlights the complexity of the whole system.

Some of the current array of deductions need to be changed (reduced or in a very few cases expanded). There should be an allowable claim for expenses necessarily incurred when moving from one job to another (from one town or city etc to another). Likewise, clothing costs should be deductible if they are necessary for work purposes. At the moment some people can claim, e.g. tradespeople, yet others who must wear certain clothing for work (e.g. salespeople) cannot claim.

A review of the tax system also needs to target equity issues because there are so many anomalies and injustices in the current tax law and rulings. The current taxation system is unfair and unjust.

The tax burden needs to be shifted away from lower and middle income earners. The top 1% of income earners in the United States receive 17% of the nation's income but pay 33% of all federal income taxes. If that were the case in Australia the top 1% of income earners who earn 10% of the national income should (but don't) pay 20% of all federal income tax. In Australia the top 5% of income earners pay 30% of the income tax as opposed to 60% in the United States.

The current taxation system favours the rich and certain sections of the community. How can someone accumulate millions of dollars through property development without having paid a fair share of tax? The existence of the super rich shows the present taxation system is not working! It is not uncommon for some individuals to end up with many millions in their pocket after engaging in property development, agricultural enterprise and assorted businesses. How can this be in a system where everyone should be paying a fair share of tax? It's because the current system is unfair and slanted towards the very wealthy! Many of the rich brag that only idiots pay tax! A now ex-MP, who is a multi-millionaire, used to say that only the stupid pay tax – he didn't even pay the Medicare Levy because he had "no income" – how ridiculous! All taxpayers should contribute towards Medicare! Wage and salary earners carry a disproportionate amount of the tax burden because they cannot dodge tax like many of the self employed (vehicle claims, home phone, travel etc).

There needs to be a crackdown on cash payments designed to avoid GST. This practice is particularly rife in the building areas amongst contractors. There is also the widespread practice of contra deals where "I do this and you do that – no money changes hands." The ability of the self employed to be able to exploit the tax system in this way discriminates against wage and salary earners. Why not require on annual tax returns details of any building or other work or services performed (name etc) and a declaration that GST has been paid and that a receipt has been issued. There should be a legal requirement to issue clear receipts with name and service provider and work/service done. I'm sure the Commonwealth Government could collect millions if it stopped these tax avoidance rackets.

The taxation system needs to be reformed so that it also encourages those on welfare to be given incentives to enter or return to the workforce. A negative taxation system would be worth considering i.e. income supplementation where appropriate via a tax refund system. One young mother in my electorate reported to me that after paying for work related clothing, petrol, child care costs and losing other concessions (state and federal) that she was better off staying at home. There are young people who are in Government sponsored training schemes who get living allowances, clothing allowances and housing allowances, who openly brag that they are better off not working. Likewise, the number of people on Disability Support Pensions needs to be reviewed. Numbers have risen considerably from approximately 100,000 in 1965 to approximately 300,000 females and just under 400,000 males in 2007 (Source: Professor RG Gregory, ANU).

The generous benefits of negative gearing should also be reined in. Property investors are being supported by the taxpayer to write off losses from investment properties through negative gearing. According to The Age (20/3/08), in 2005/06 more than a million Australian landlords wrote off losses of more than \$9 billion to claim \$3.5 billion in taxpayer subsidies. Meanwhile, we have soaring rates of homelessness and families living in cars who are either unable to find housing due to the shortage of rental housing or housing at an affordable rate.

At the moment we have a system of taxation which encourages and subsidises the purchase and operation of large work vehicles which are environmentally unfriendly. This is inconsistent with the Government's approach to tackling global warming and its other environmental objectives. We see tradespeople, farmers

and others using vehicles with V8 engines when a smaller more economical vehicle would do. These vehicles are often used on weekends to tow boats etc. There should not be a tax benefit for the purchase or operation of vehicles which are larger and more fuel consuming than is necessary to do the job at hand.

In conclusion, we need a fair and equitable taxation system which is simple and transparent and that is not the case at the moment! We need significant tax reform!

Yours sincerely

A handwritten signature in black ink that reads "R B Such". The letters are cursive and fluid.

Bob Such MP JP  
**Member for Fisher**

- c.c. The Hon Kevin Rudd, Prime Minister, PO Box 6022, House of Representatives, Canberra, ACT, 2600
- c.c. The Hon Wayne Swann, Treasurer, PO Box 6022, House of Representatives, Canberra, ACT, 2600
- c.c. The Hon Lindsay Tanner, Minister for Finance and Deregulation, PO Box 6022, House of Representatives, Canberra, ACT, 2600