A few changes to Australia's system of taxation and transfers are proposed below.
It is recommended that, in order to minimise economic disruption, changes are phased in over a number of years. In particular, where it suggested that rates of taxation are varied, that the rates be adjusted in small steps over several years.

Simplify and equalise rates of personal income and company profit taxation

Taxable income for individual taxpayers should be taxed at a uniform rate, at the same rate as company tax. Medicare levy and Medicare surcharge can be abolished. There will be no benefit by tax reduction by arranging one's affairs so that personal earnings look to the ATO as though they are company earnings. There will be no bracket creep, and no opportunity for governments to play politics by offering targeted tax relief to any particular group of voters.

Simplify and equalise systems of transfer payments

Abolish the dole, beneficiary tax offset, parenting payment, low income tax offset, and family tax benefits; instead, pay every Australian a non-means-tested, non-conditional basic living allowance. In this way, the highest and mightiest in the land will be treated the same as the poorest, since everyone will be in receipt of the same transfer payment. Compliance and administrative costs will be substantially diminished, if not disappear. Because benefits are not means-tested or conditional, the effective marginal cost of entering the workforce will decrease.

Use tax system to get shareholders to control executive wages, while giving executives of profitable enterprises incentive to reward staff

Restrict excessive wages to senior executives and others by limiting the annual salary that is tax deductible; the excess payment over, say, three times the average annual salary for that company would then be paid out of after-tax profit.

For example, if company A has the equivalent of 10 full-time workers throughout the year, and the total wages bill is $600,000, then the average company A worker's wage is $60,000. Now, if 9 of those workers each gets $45,000, the CEO gets the other $195,000. Three times the average of $60,000 is $180,000. The additional $15,000 that the CEO gets paid comes out of after-tax profit, so that the CEO is profit-sharing with shareholders.

For example, if company B has the equivalent of 50 full-time workers throughout the year, and the total wages bill is $5,000,000, then the average company A worker's wage is $100,000. Now, if 49 of those workers each gets $45,000, the CEO gets the other $2,795,000. Three times the average of $100,000 is $300,000. The additional $2,495,000 that the CEO gets paid comes out of after-tax profit, so that the CEO is profit-sharing with shareholders.

Despite coming from after-tax profit, the $15,000 and $2,495,000 'excess' amounts paid to the two Companies' respective CEO's are taxed. In this way, the personal income taxation system retains an element of progressiveness, penalising the payment of grossly excessive pay packets.

If, however, Company B raises the wages of the 49 workers to $80,000 per annum, and lowers the CEO's wages to $1,080,000, the total wages bill remains $5,000,000 per annum. Average wage remains $100,000, but the component of the CEO's pay that is deemed excessive, and is paid from after-tax profit is decreased to $780,000.

However, noting that Company B is now paying $80,000 to the majority of workers as opposed to Company A's $45,000, company B is likely to attract and retain more talented staff, permitting increased profit, so that Company B's shareholders are more likely to tolerate large CEO pay.

The purpose of this measure is to ensure that senior executives have an interest in getting fair wages for their subordinates, and shareholders have an interest in ensuring that they really do get fair value from their senior executives. The ATO is no longer sharing the burden with shareholders of paying exorbitant executive bonuses, and shareholders will really start querying the value of executive bonuses is if the share value goes down.

Taxation treatment of co-operatives

Co-operatives exist as self-help organisations. They are generally established in order to meet a community need rather than to generate a profit. Consequently, their profits should not be taxed until and unless such profits are distributed to co-operative society members, at which time they are included in the members' incomes for taxation purposes.

Amongst the criteria that an entity would need to satisfy in order to qualify as a co-operative society is the requirement that no employee of the co-operative is paid more than three times the average salary of all that co-operative's employees.

Taxation treatment of mutual fund profits eg insurance, health and superannuation mutual funds

Mutual funds exist solely to provide benefits to members; as such, they should be treated for taxation purposes as co-operatives.

Note that, whereas profit distributions to privately owned sector health, insurance and superannuation fund member accounts are likewise not subject to tax, the profit-making entity that 'owns' the fund is subject to tax.

Change luxury car tax to tax on inefficient vehicles

Change the basis of the luxury car tax from being a tax on price in excess of a certain amount to being a tax on carbon emissions per kilometre travelled. In this way a wholly arbitrary targeted impost becomes a penalty on environmentally destructive choice.

Taxation of tobacco, alcohol and recreational drug use

Achieve full cost recovery from potentially harmful activities such as tobacco, cannabis and opiate use, and alcohol consumption by taxation at appropriate respective rates calculated as follows..

For example, dividing the total annual cost of tobacco use through, lost productivity, early death, health care costs and so on by the mass of tobacco used annually gives a rate at which tobacco may be taxed. This money would be used to fund provision of these ameliorating services.

The same would be done for alcohol. Different taxation treatment for beer, wine and spirits would be replaced by a single rate of taxation per unit alcohol, and used to fund, say, health care, lost productivity, emergency services such as police, ambulance and hospital emergencies.

Such taxes would replace all existing tobacco and alcohol taxes and excises.

Legalise, and tax, opium and cannabis-based drugs. In this way, the tax base for ameliorating the effects of substance will be broadened on a 'user pays' basis. Gaols will be freed up, police time saved, and other taxpayers will not have to shoulder the burden of paying for psychiatric and other medical treatment for drug users. Less money will be illegally transferred overseas because the drug importation industry will be diminished.

It may be appropriate to include other categories of presently illegal 'recreational' drugs in this programme.

Abolish payroll tax, stamp duties and land tax, and end Vertical Fiscal Imbalance

Vertical fiscal imbalance between Commonwealth and States has been abused by Commonwealth governments for some time, by inadequately funding States for health, education, transport and training programmes and infrastructure. The presently degraded state of health, education, transport and training programmes and infrastructure is a consequence of this, and a wholesale takeover of these responsibilities by Commonwealth will ensure accountability of elected Governments for funding these services.

Address global warming with a tax on carbon emissions.

In "Target Atmospheric CO2: Where Should Humanity Aim?", James Hansen of NASA's Goddard Institute and colleagues have determined that atmospheric carbon dioxide should not exceed 350 parts per million (ppm). ~2.5 centuries ago, prior to the Industrial Revolution onset of large-scale exploitation of fossil fuels, atmospheric carbon dioxide was 280 ppm, it is presently 385 ppm, and is increasing at about 2 ppm per annum due to human activity.

At 350 ppm, atmospheric carbon dioxide should be high enough to prevent the onset of another Glacial Period ("Ice Age"), and low enough to forestall the otherwise unpreventable acidification of the world's oceans.

Therefore, it is necessary to minimise carbon dioxide emissions to the atmosphere is quickly as possible.

Given the urgency of the need to reduce atmospheric carbon dioxide concentration to 350 ppm as advised by Hansen et al, carbon dioxide emissions should be reduced to zero as quickly as possible.

The difficulty with using economic means to control carbon dioxide emissions is that there is no monetary cost associated with carbon dioxide emissions, so that market discipline cannot be employed to address the problem. For this reason, it is proposed that tradeable carbon emission permits be created.

There are a number of problems with such "creativity".

As already seen, large enough corporate entities have sufficiently political influence as to ensure that they are issued with as many permits as they demand at a significant discount to the market. This perversion of the market will constrain the market's effectiveness to address humanity's most pressing problem.

Normal market trading activity causes excessive price fluctuation, thereby constraining risk-averse agents from undertaking carbon emission-limiting costs. In particular, given that much carbon emission reduction will be effected by the adoption of new and different technologies, some of which are not yet invented, carbon emission permit price instability will adversely affect the investment in long-term R&D that is clearly necessary.

A carbon emissions trading market with limited permits creates a scarce resource of aggregate economic activity, the cost of which is disproportionately borne by small scale agents.

A carbon tax could be introduced at minimal marginal cost by adding a tax on the emissible fossil carbon content to the GST. 'Emissible fossil carbon content' is the carbon content of a material that originated in a fossil fuel, and will be emitted to the atmosphere (or seawater) as a result of its use. The GST on the material, then, is 10% of its dollar value plus so many dollars per tonne of contained emissible carbon.

Atmospheric carbon dioxide content is already higher than can be safely permitted.

It is suggested that a revenue neutral carbon tax be introduced. In its first year, it would be charged at a rate of, say, $5 per tonne of carbon dioxide emitted, with equivalent reduction in rates of fuel excise and so on. In the second year, the rate of tax would be, say, $6 per tonne of carbon dioxide, $7 per tonne in the third year, and so on. So that taxpayers can plan the progress of their own carbon emission reduction programmes, the schedule of future carbon emission taxation rates be published several years in advance.

Commensurate reductions would be made in the rates of fuel and crude oil excise until the rates of such excises are zero; only after that point is the total tax on the particular carbon-containing product increased.

Similarly, increasing carbon tax receipts allow for abolition of certain taxes, and reduction in the rate of others. As a tax on employment, for example, payroll tax should be abolished as quickly as possible. Eventually, as carbon dioxide emissions are driven out of the economy, the receipts from a carbon tax will irreversibly decline. At this point, the final, post-carbon economy rats of taxation can start to be phased in.