

TAX REVIEW SUBMISSION

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INCOME TAX AND WELFARE PAYMENTS

Our income tax system presents a number of problems for our modern growing nation.

THE PROBLEMS INCLUDE;

1. Complexity to the point that many small businesses can not understand it. Which adds difficulty for them to employ staff and evaluate their tax and income levels.
2. Complexity to the point that the tax system is not fair and complicated loop-holes exist for a lucky few that can take advantage of them (usually large companies that can employ clever and creative accountants).
3. The present income tax level changes through several thresholds, which act as disincentives to both employees and businesses to earn extra income(s).

A FLAT INCOME TAX can be considered to be a fair type of tax, but is seen as a disadvantage to people who are financially challenged. This disadvantage could easily be negated by the provision of a citizen payment.

The size of the CITIZEN PAYMENT would have to be calculated on the savings from a flat tax system and other government administrative changes.

THE SAVINGS WOULD INCLUDE;

1. Money collected by a flat tax that would otherwise be under the tax free threshold.
2. Money saved by the reduction to welfare and family payments due to the introduction of a citizen payment.
3. Money saved by the reduction of recipients on welfare.
4. Money saved by the eventual downsizing of welfare administration.
5. Money saved by the extra revenue as the motivation to employ and be employed would be increased.
6. Money saved by the reduction of (ATO) income tax administration.

The upper threshold levels of tax may also be replaced by the flat tax in place of the multitude of other taxes and tax brakes that currently exist. Many tax revenue dollars are lost through creative (but legal) tax accounting methods. A flat tax would be a reduction to the income tax levied at some high income earners, but this would be a trigger of justification for the Government to close many of the (loop-hole) tax brakes that exist for some of the upper income level earners.

Australian citizens would be paying tax on every dollar earned and receiving payments at the same time. Understanding that everybody has to pay tax is important to eliminating a welfare mentality. And as all would be receiving the same level of citizenship payment (and paying the same level of tax) there would be less of an 'us-and-them' mentality between the high and low income earners.

There would have to be a systematic change to the welfare system. As welfare payments would have to be reduced and in many cases eliminated altogether.

As the welfare payments would be smaller the motivation for people to seek welfare would be reduced, and as a flat tax would be easier for small business to manage, and taking on extra staff would not be as complicated.

The ease of administration of a flat tax means that businesses could calculate their income tax and pay it with their BAS (GST) payments. This would eliminate the need for provisional (and other) tax methods that many small businesses are stressed with.

Employee's pay would be paid fully taxed with the employer paying the tax straight from their bottom profit line. Pay roles would be fully taxed under all circumstances as there would be no need for any tax relief. This would help eradicate black market trade.

Of course there will be people who will need social-welfare assistance. So our government departments that currently are responsible for issuing benefits could then be responsible for giving actual assistance instead of just handouts.

Many superannuation recipients have lost funds due to the many administrative difficulties of the present system.

As the government would be issuing payments for all citizens then there is an opportunity for the government to issue part of the payment to citizen's superannuation funds instead of employers.

Taking a one (Flat) tax fits all approach may seem radical but the fairness and simplicity would offer many benefits. Calculation of the tax and payments amounts would initially have to be worked out very carefully and may have to be adjusted to suit the economic conditions of the time. But once in place the efficiency of the system should offer many socio-economic rewards.

We should consider that there are many people that fall through our welfare system net and many high earners that have taken advantage of tax breaks that are an unfair privilege for some that can take the advantage.

Administration for our welfare system is very expensive and is open to abuse and by its nature creates many disincentives for recipients to increase their independence.

Citizen payments for people under protective care could be redirected to the institution of care.

Citizen payments for inmates of the prison system could be either redirected to the prison system or cancelled for the time of incarceration.

Citizen payments should be suspended or cancelled when the recipient leaves the country.

Australian residence would need evaluation for any payments.

Work visa workers would not be entitled to citizen payments but would be paying normal tax.