

AFTS Secretariat
The Treasury
Langton Crescent
Parkes ACT 2600

10th September 2008

RE: Australia's future taxation system

Let us keep it very simple from a user perspective, a compliance perspective, and a legal perspective – we should not have an army of lawyers / accountants / bureaucrats involved in the Australian taxation system on a day-to-day basis trying to understand it, in act it, comply with it, fight it, or undermine it. The related taxation Acts and associated regulations needs to be significantly downsized in complexity and volume (eg. the paper copy be less than ½ an inch thick at least).

The concept of taxation should be such: – the Federal Government raises all forms of direct/indirect taxation, and the States wisely spend such monies on mutually agreed initiatives. State Government should not be allowed to raise any revenue from purely 'State based' taxation initiatives. The only monies that States/Local Government should raise should be in relation to fines (non-compliance) or services (but only as to an extent that it is a purely cost-recover purpose).

Fundamentally all type of tax minimization schemes should be illegal and aggressively policed. All minimization taxation schemes surrounding trusts should be removed.

What should the Australian Government's future taxation system look like:-

- All forms of 'inheritance tax' on an individual/family, trusts, commercial entities should be eliminated.
- All parties – individual (any age), families, trusts, partnerships, companies, etc should pay one type of tax – and at one flat rate 22.5%. The threshold before any tax is paid should be \$25,000 as at 1st July 2009.(CPI automatically indexed yearly as at the 1st July)
- No extra levies should be imposed upon the individual/family (eg. Medicare, HECS, etc) via the taxation system.
- All forms of Capital Gains/FBT/Withholding tax should be at the 22.5% rate and only on the benefit/profit gained (after considering time delayed inflationary impacts).
- All other Federal tax types/tariffs/excise should be eliminated if it does not comply with a 22.5% taxation rate (or if such a rate would be too onerous on the payee involved). The only exemption to this 22.5% rate would be those goods/services that have a negative effect on human physical / mental / emotional health (eg. alcohol, cigarettes, gambling, packaged & served foods with excessive fat content, etc) or are causing any type / level of environmental pollution or degradation (eg. energy consumption, human waste, macro/micro land clearing, etc). Here continuous

incremental /addition taxation levels are warranted so as to force permanent long term attitudinal changes and practices.

- The GST rate should be increased to 22.5% and there should be no exemptions for any type of good/service.
- Individuals on Government benefits should be allowed to earn extra income. The Government benefit should be excluded from any taxation and only when the paid work that they undertake exceeds the additional \$25,000 threshold (CPI automatically indexed yearly as at the 1st July) should they begin to be taxed at 22.5% but only on that additional income above this threshold.
- All taxation must be collected at the source and returned to ATO asap (within a maximum 28 days). This is now possible due to widespread availability of powerful computing hardware and sophisticated software packages, electronic funds transfer services, electronic collection methods, etc.
- Family Tax A & B Assistance and issues surrounding means testing of any Government program (child care, solar power rebates, etc) – such assistance packages must be more greatly streamlined and collection of redundant data eliminated – more data matching must occur to dramatically reduce the paperwork that needs to be completed by applicants /claimants. Government benefits / assistance programs should all be based upon household income and number of dependents only. Due to different living costs geographically within and across States, means testing should only fully cut out where total household income exceeds \$200,000 (CPI automatically indexed yearly as at the 1st July).
- Eliminate all forms of salary sacrifice and non-reportable FTB schemes – these are merely tax minimization schemes.
- Total payments into any individual's superannuation fund should not exceed 22.5% of that individual's yearly taxable income. Any such monies paid into a Superannuation scheme should reduce the person's gross taxable income by the same amount before tax is calculated.
- Any taxation on superannuation funds should be at the point when the individual's utilize such funds (eg. post retirement) and any taxation paid upon such income follow the 22.5% /\$25,000 (CPI automatically indexed yearly as at the 1st July) concept.
- All interest on any initial loan that exceeds \$50,000 and involves purchasing an asset (eg. private home, investment home, land purchase, etc) should be tax deductible for an individual, commercial entity, etc.
- Provide significant initiative for people to save (eg. for future investments, their home, their children's education, retirement, etc) by allowing the first \$5,000 (CPI automatically indexed yearly as at the 1st July) of interest earned from a recognised Financial Institution to be tax free each year. This should be the allowed for those on the pension (deeming issues).
- Allow tax write-off of 200% for investments in any level of R&D and/or any investments into technologies seeking to minimize environmental pollution or degradation. Let us get Australian to be a smart, clean, and green nation.

Let Australians who work hard know what they can earn – let them be able to confidently plan 10-15 years ahead at least (without the ground rules being drastically and constantly changed by successive Governments).

Let hard working Australians know that those wanting to work towards buying a Holden commodore can achieve such...but those who want to work much harder and buy (say a BMW) can also confidently achieve their dream. Let us not forget that the above changes to taxation in and across Australia will make the poor/disadvantaged much richer in the fullness of time in terms of their asset base. It should also provide the majority with the motivational drive to better financially secure their existing family situation.

Let the taxation system of Australian drive the nation's future...let us direct *all* of our skills and energies to bettering the triple bottom line within our home, our community, and our nation.

Yours in service,


Tom Gordon