

Dr Ken Henry
Treasury
Langton Crescent
Parkes ACT 2600

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Re: Taxation Review 2nd offer of assistance

Dear Dr. Henry

Thank you for your response to my offer to provide assistance to you. You requested I provide a submission in the first place so here it is. I have kept it simple so it can be clearly understood. These thoughts have been formed by myself including ideas from my colleagues. I run two accountancy practices in Forster and Coffs Harbour and together with my partners have vast experience in the economy and **tax**.

I ran a radio program for three years called Simple Economics as well as running an accountancy **practice** and having a degree in business. Barry Martz who you may know was an **accountant** in Canberra, Taree and Forster since 1966 and David Conallin is an **accountant** at Coffs Harbour and ran KMPG at Darwin for many years. These are country accountants and they **are** superior to **city** ones as they experience life's ups and downs more so in the country.

I believe that you need a plan B and quick, as your Plan A (as reported by the **press**) **will** not be received by the community as it fails to provide incentive for deductions, a key reason communism failed. In **case** you're not sure you have been handed a poisoned chalice (our tax system) **because** we have always put fairness above simplicity at any cost. The task of restructuring this will **backfire if streetwise** accountants aren't used in the process. Often in life people tell you what they think you want to hear.

Finally it's quite wrong to compare NZ tax system with Australia's as they don't have a Capital Gains and GST however your argument for simplicity were correct and should have been **based** on complexity and I feel we will be able to assist in this area.

The reforms needed are

Costs to the ATO

1. The **tax** free threshold needs to be lifted to \$15,000 per person.
2. Capital Gains Tax needs to be abolished.
3. The marginal rate of tax should be 20c in the dollar to \$100,000, **30c** to \$200,000 **40c** to \$300,000 and 50c above
4. The spouse rebate be expanded for child dependants and allowance made for parents paying **child** support

Savings to the ATO

5. Exempting income from super funds for members over 60 needs to be reversed making **it** taxable as it was before the start of this year.
6. The low tax rebate and Senior Australian tax rebate needs to be abolished.
7. The Single Tax rebate needs to be abolished
8. Disable Pension to be fully taxable
9. **Allow** people to opt out of Medibank and not pay Medicare rebate but once election made **its** irreversible.

These changes would shelter business from any changes which it can't afford to **pay**, in fact **business** would gain substantially by the abolition of capital Gains Tax

They would also make social security less attractive resulting in better outcomes to the economy on the supply side of labour

The tax scales would also encourage enterprise but prevent fat cat payments to executives that are well in advance of community expectations

Seniors would be the big losers in this but right now they aren't paying tax and have paid to **little** tax in the past. The Baby Boomers have underpaid tax all there life. Welfare receipt ants would also be the losers making for a better national economic policy.

Further the Medibank changes will allow the Government to dismantle Medibank and allow people to back themselves resulting in huge savings to the government and keeping a net for the disadvantaged.

If you wish these changes to be further casted and explained please contact me and we **will attempt** to provide you every assistance needed.

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Terry Murphy CPA