

SUBMISSION FOR RE: THINK, BETTER TAX, BETTER AUSTRALIA

Suggestions follow for the Better tax, better Australia paper.

The goal of Australia's taxation system is to benefit Australian society and enable Government to provide public services. The tax system also needs to support the egalitarian ideals of Australian society.

Unfortunately, over the last twenty years income inequity in Australia has deepened. The tax system has enabled this to occur. Top personal tax rates in Australia have dropped markedly from around 65 per cent in the mid 1970s and 60% in to mid 1980s, down to less than 50% currently. During that period, the Goods and Services Tax has been introduced without adequate transfer payments to compensate poorer members of Australian society. The recommendations from the tax paper must address the continuing growing income inequity in Australia.

Compared with a large proportion of OECD countries, Australian has relatively low personal income tax rates. To help reduce the divide between the wealthiest and the lower middle income and low income classes, the top tax rate needs to increase. Loop-holes in the tax system that enable wealthy individuals and wealthy corporates in Australia to avoid paying reasonable rates of tax need to be closed. Tax needs to be levied at the source where income is earned rather than the point at which it is consumed.

To help secure the future for the next generations mineral resources need to be taxed as they are extracted, as once they are taken out of the ground they are no longer available to future generations. It is negligent of the current generation not to tax our minerals as they are extracted as it is failing to take the one chance to obtain some revenue from these resources before they are used up and to put something away for Australia's future generations.

In addition, incentives that encourage investment in industries for which world and local demand are reducing need to be withdrawn. This would, for example, include mining and fossil fuel energy, and the fuel rebates to those industries could be ended. Instead, the Government could do better to invest in and provide taxation, education and research incentives to industries for which world demand is growing. Examples could be incentives for renewables and the development of green/sustainable technologies.

One suggestion to help alleviate the gap between the wealthy and the poorer classes in Australian society is that the GST should be repealed. The wealthiest in society do not need to spend all of their income, whereas the lowest middle income and poorer people need to spend everything just to survive. If it is unpalatable to totally abandon the revenue from an indirect tax, then perhaps a sales tax or a higher luxury goods tax could be reintroduced on luxury items as in past years, at higher than the current rate of GST. This would go some way to reduce the help to reduce income inequity in Australia and raise some funds to secure the budget situation, and to assisting in firming up some income for future generations. The GST should never be levied on health, education or fresh food, as this further disadvantages poorer members of society and entrenches inequity and disadvantage. Nor should GST ever be levied on and health-related products such as pain relief, medicines, bandages, band-aids, antiseptic, sanitary items and the like. As an indirect tax, the GST is an inefficient tax when compared with a direct tax. It would be preferable to quarantine a proportion of income taxes for the states than to continue with a GST, which is in effect a regressive tax.

In direct taxes, such as bank accounts taxes are inefficient and should be avoided. Low and lower middle income earners, who are less likely to hold investments outside financial institutions would be more adversely affected by these taxes than the wealthy.

A further suggestion is that all negative gearing arrangements for Australian tax-payers be dramatically reduced. These arrangements have largely benefited the more wealthy members of society, property developers and real estate agents, whilst driving housing prices up considerably. As a consequence, those less who are well-off are being kept out of the market and denied the chance to own a home. Reducing negative gearing will improve tax revenues in the budget and help reduce income inequity in Australia.

These suggestions are made in order to improve the Australian tax system in the interests bringing about a better and more equitable society for all Australians.