TRIBUTE

The dichotomous other half of GST

©JULY, 2008

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# *REPLACING THE INCOME AND CAPITAL GAINS TAXES[[1]](#endnote-1)*

# WITH A SYSTEM OF ‘TRIBUTE’©[[2]](#endnote-2)

**Only the accumulation and dissipation of wealth encompasses all economic activities from which the Nation can obtain Revenue for its Expenditure. Wealth is ultimately expressed when liquidated as money.**

**There is only two ways to deal with money. Spend it or save it.**

**By spending, the spendthrift can afford to pay a donation as they have money. Conversely, those who save the money, have the money to also contribute. Thus money is wealth to be accumulated or spent.**

**Tax should only be levied on the *ACCUMULATION* of wealth and the *EXPENDITURE* of wealth. The present Goods & Services Tax [GST] deals with expenditure. When a person spends they donate 10% via the GST system. There are now strong arguments for the exemptions presently within GST to be reviewed so that many, if not all, be scrapped [in a political ‘utopia’].**

**A review of the GST is *not* the purpose of this submission.**

**The proposed System of ‘Tribute’ is intended for the former, namely on the accumulation of wealth above an initial Threshold of One Million Dollars[[3]](#footnote-1), but only when it is liquidated into money or other realizable assets [commonly referred to as Liquid Assets] that prove the accumulation has exceeded the Threshold.**

**Tribute is dichotomous with GST.**

**Tribute should never be levied on wealth that has already contributed via the Tribute system described herein. However, the nett accumulation less provable liabilities [Realized Accumulated Wealth], as distinct from accrual, above the Threshold should incur a Tribute. Therefore, because a person has a $10Million Asset, but has an $11Million debt, their Accumulated Wealth would not incur Tribute.**

**Wealth taxes are out, because they erode the wealth base until, theoretically, it is totally eroded. An accrual system taxes those who have not liquidated the alleged accrued wealth gain. This is blatantly inequitable, as a capital gain is not a gain until sold. Speculators are learning this, yet again, in the present Stock Market adjustment back to realizable assets of companies. Further, the accrued wealth is not, usually, in the form of Liquid Assets[[4]](#footnote-2) from which a tax can be paid. Hence the difficulties people have had with Inheritance, Income and Capital taxes that use mandatory assessment methods that fail to account for the person to have Liquidity [cash] to pay their taxes from.**

**The system of paying tax on the Accumulation of Wealth, needs a new name. It needs to be distinguished from the plethora of emotionally charged taxes that stymie clear lateral thinking. Taxes with names ranging from income tax, land tax, death taxes and ever onwards to capital gains tax. All have legalistic complexities and implementation difficulties. The baggage of all these variously named taxes, requires a thought provoking acceptable new name that is marketable, and states [within its meaning] that people are con*tributing* to the Common Wealth of the Nation that gave them their wealth.**

**Such a word is *TRIBUTE[[5]](#footnote-3)*.**

**TRIBUTE, aeons ago, went to the basics. In return for protection and being ruled, the People paid tribute to the governing authority to administer the fiefdom. Nothing much has changed, except the complexity introduced by contemporary governance of national fiefdoms. The main complication has been a plethora of taxes that have left the initial concept of tribute, namely, a contribution from private wealth to the common weal of the fiefdom, to the historical past for the Lords to utilize, usually war.**

**The system will operate on a similar basis to the GST, *except that it is not a 10% rate on accrual*, but a rate set monthly[[6]](#footnote-4) on the *realization of assets* that exceed the threshold. Such Tribute paid will be recorded against the accumulated wealth assessed [the Tributer’s Equity], to be applied against further wealth accrual calculations, just as in GST system tax paid from expenditure is applied [deducted] from the tax payable on sales.**

**Simply put, a Tributer who sells assets purchased or acquired, and realizes a nett asset position [Equity] exceeding $1million [the Threshold] pays tribute at the rate set during the period of realization.**

**Non Living Tributers [NLT] namely; Companies, deceased estates and other incorporated and non-incorporated bodies do NOT receive a Threshold concession. However, the Capital subscribed via share issue *in cash* only will be deemed to have a Tribute Credit where the shareholder SURRENDERS and assigns their personal Tribute Credit to the NLT. This is the only time a Tributer can surrender and assign such Tribute Credits.**

**An example of Tribute being applied:**

**A Tributer realizes assets [sells for cash, trade-ins/swaps and other non-cash realizations] and it transpires the Tributer’s Equity is now, presently, $1,100,000. This amount is calculated by adding up the Assets and subtracting the total of Liabilities [debts], to derive the $1,100,000 of Equity. Now subtract the Tribute Threshold of $1,000,000 to derive a Tributal assessment of $100,000. Assume at this period of assessment the rate set by the Authorities [Reserve Bank] to be 20%.[[7]](#footnote-5) Tribute payable is $20,000. Note that NLTs do not receive the Threshold and would be assessed on the $1,100,000 Equity @ 20% $220,000 [unless assigned Tribute Credit from shareholders’ personal Tribute Credit].**

**Assuming this is dutifully paid, the Tributer then has a Certified Tribute Credit of $20,000 against an assessed Tributer’s Equity of $1,100,000. Assume, later on, the Tributer sells an asset that increases his Equity to say, $1,500,000. Deduct the Threshold, and the Tributal Amount is now $500,000. At 20% the Tribute due is $100,000 less the Tribute Credit {ie, amount previously paid [just as in the GST system]}, to give a Tributal Assessment of $80,000 [$100,000-$20,000]. Once this is paid the total Tribute Credit of the Tributer is $100,000 on the Tributer’s Equity of $1,500,000. The reader can work out why the NLT liability is now $80,000 [$300,000 less their Tribute Credit of $220,000].**

**Assume the Tributer later on loses money [incurs a realized loss]; resulting in their Equity falling below the Tribute Threshold, then the Tribute Credit of $100,000 remains. In the event of bankruptcy, any Benefits received from Centrelink will be taken from this Tribute Credit before incurring a Security Loan[[8]](#footnote-6). In the case of NLTs being liquidated, the Tribute Credit is forfeited to the Nation, and cannot be assigned back to shareholders or any other NLT or person.**

**Conversely, a Tributer may want to be voluntarily assessed while they have spare funds before they are compulsorily assessed on the sale of assets, because the Tribute Rate[[9]](#footnote-7) applicable at that period is to their perceived advantage. NLTs will see advantage in this.**

# MEASURING WEALTH FROM ASSET REGISTERS

**Measuring Realizable Wealth [Tributer’s Equity] for the purposes of Tribute is not as difficult as experts and cynics would imagine, just as the perceived objections to the introduction to the GST evaporated on implementation.**

**By the use of Insurance, Vehicle, Share, Land and other Registers or Claims to assets, it is quite easy for a Tributer to assess their assets. Similarly, debts of the Tributer are easily acquired such as Loans, mortgages, liens and other instruments. To avoid unnecessary payment of Tribute it is in the interest of the Tributer to declare these to determine their Tribute Equity on which Tribute is assessed.**

**Insurance companies will be very happy with this concept, as Insurees will tend to be honest in insuring their assets, knowing that Insurance companies will be required to release details of all insurance policies on assets to the Tribute Authorities. Thus, those paintings, jewellery, furniture and chattels at declared insured values will be taken into account in determining a Tributer’s Equity. As to insuring for Replacement Value, then that shall be taken as its asset value, as distinct from depreciated value for accounting purposes.**

**One can imagine the panic within a very few dishonest directors of dubious companies. Their Annual Reports declarations of Assets may just become a little more accurate. Could it be shareholders will have more reliable information? Don’t hold your breath.**

**Similarly for those Assets registered in the various Registries. For those Companies that revalue their assets without proof of a sale, may begin to show the assets at purchased value with Contingent Asset reports where they believe the Asset may obtain a higher value, eventually. Ditto, if they need to declare a Contingent Liability if the asset has lost value and need to explain why to their shareholders. Manipulative Directors can think again if they think that this may be a method to manipulate the NLTs’ Tributer’s Equity. This does not change their Tributer Equity, unless sold of course.**

**The initial Tribute Equity Calculations would use Historical Cost Records of Assets without any depreciation. However, Interest capitalized previously under the Income Tax is added, but Interest previously claimed as a deduction cannot be included.**

# ELIMINATION OF INCOME TAX AND THE TRANSITION PHASE

**Tax on income will phase out as a reality immediately, because the Tribute will commence immediately. The acceptance of the reality of no Income Tax will probably take decades, but maybe not, as the GST example has few persons longing for the Sales tax era. Deductions via the PAYG System for Wages and Salaries and under the Prescribed Payment System will cease immediately, but the replacement Tribute impost are payments due to the Nation, and will need naming. The description that best describes its purpose is Pay As You Tribute [PAYT].**

**As wages paid will now be subject to Tribute [PAYT], this creates a replacement impost on Employers, but there is no pain, as they must deduct a proportion from the wages of employees who prior to the new arrangement where having [paying] 20% or more deducted as per**

**Schedule 2 Pay as you go (PAYG) withholding NAT 1005**

**Weekly tax table from 1 June, 2008. COLUMN 2.**

**Incorporating Medicare levy with and without leave loading**

**Using this table the weekly wage of $1,000 has $200 [20%] deducted, of which the Employer may deduct half that rate to give a rate, in this case, of 10% so the Employee receives $900. Those receiving $700 presently have $100 deducted, but being below the $1,000 threshold, will have nothing deducted and receive their $700 in full. Similarly, those between $1 and $999 per week will receive their receipts in full.**

**For those earning more than $1,000 the Employer deducts a similar half rate as shown in this table. Thus, every present tax payer receives immediate relief, with the highest paid also receiving substantial relief as well. To those still thinking the old Income Tax mentality of the high paid pay high taxes, *get over it* and finish reading the balanced concept of this paper. The wealthy will be paying their fair share, more than at present under the easily manipulated Income Tax laws of the wealthy.**

**Further, where an employee receives $2,000 per week, with 50% of the $564 deducted i.e. $282, or more than $2,000 per week AND has an outstanding Security Loan[[10]](#footnote-8) then an additional 20% be deducted to be applied against that outstanding Security Loan.**

**However, the Employer will still pay the deductions on the entire payroll and prescribed payments, to the Government as part of Tribute, not GST, so Revenue is not drastically reduced via the PAYT System. The income Treasury will receive from the proposed Carbon Tax will more than compensate for the elimination of tax on those earning less than $52,000 per annum [i.e. $1,000 per week].**

**The effect is to give everybody below $1,000 a pay rise and no further tax liability, without any extra wage cost to the Employer. This should curb wage claims and any wage inflation for several years.**

**In light of the extra costs to individuals over the Carbon Emission Trading Scheme [CETS], this gives the Government an opportunity to ease the impost for individuals who presently pay tax.[[11]](#footnote-9)**

**Over the following years, those Tributers earning [or receiving] above $1,000 per week will have their deductions based on the said Schedule, reduced or raised by a discretionary amount set by the Reserve each year. This gives the Reserve a further a long term economic fiscal tool[[12]](#footnote-10) to influence the economy.**

**The plight of Accountants that have previously enjoyed the fruits of the present complicated tax laws will be to be freed to do more constructive work, like concentrating on how to help their clients create more wealth BY UTILIZING all Assets, rather than sitting on them awaiting some speculative gain, and advise better ways to invest, be more productive and not have to worry if an expenditure is a “tax deduction”. Under Tribute all consumption expenditure is an automatic deduction against all earnings, and only that invested by any means, be it building, buying assets such as shares or deposits in financial institutions, is wealth accumulation.**

**Remember, spend wealth and donate 10% via GST, thereby obtaining an immediate deduction [reduction] of your wealth. Conversely, accumulate wealth and pay tribute from the realized assets via this proposed Tribute System [TS]. The simplicity of Tribute will blow the complicated mind. Such minds are forever looking for why things cannot work, rather than how effectively they can be made to work. The implementation of GST and its ease and efficiency is proof of that which is simple, can be easily implemented.**

# WEALTH IMPORTED AND EXPORTED

**Money sent out of Australia that exceeds $10,000 is presently reported to the Authorities. If an Australian Business Number [ABN] or Tribute Number [Tax File Number, presently] is recorded for all overseas fund movements, then using this as prime source data, the Tribute Office can audit Tributers as to their wealth. All funds transferred out will be considered liquidated assets may require Tribute Assessment and where the Tribute Equity produces a Tribute liability, they must pay. However, all monies sent from Australia will be deemed to be an Asset of Tributers for the purpose of calculating their Tribute Equity.**

**Consequently, Tributers’ thinking they can avoid Tribute by sending funds out of the country will merely flag to the Tribute Office that an audit may be required if their Tribute Equity declarations are not in order, already. NLTs, therefore, have nothing to be concerned about in paying for goods and services triggering an audit; if they are honest.**

**Those who import money naturally need to include those funds into their Tribute Equity calculations.**

**Yes, it is that easy. Only the manipulators need be concerned. All the present laws forbidding export and import price manipulation will stay in place.**

# NEW ECONOMIC TOOLS – VARIATION IN THE RATE OF TRIBUTE RESERVE BANK’S ROLE

**The Reserve Bank [Reserve] is hampered in having only two effective tools to control the economy, and that is the setting of the Official Interest Rate and Monetary Supply to some degree. Placing rate settings for Tribute with the Reserve and not the Government keeps the Government disciplined and not politically tempted to play politics with the rates outlined below.**

**It may be argued that between GST and Tribute, the rate should be the same between the spendthrift [spender of Wealth] and the wealth creator or accumulator. However, the latter has a timing advantage as to when they liquidate assets to reveal Equity above the Threshold, whereas the spendthrift is usually spending immediately on receipt of money to buy consumables needed at that moment. Thereby, the spendthrift creates more jobs and more economic turnover, and through GST, more Revenue for the Nation. Perhaps the Tribute rate shall be set, initially, at 20% on the Tributal assessment.**

1. **The Tribute Rate is to be set by the Reserve on a monthly basis, as it does with the Official Interest Rate. This gives the Reserve an extra tool to control the economy.**

**For example, the Reserve may desire the economy to receive a fillip to increase expenditure. Besides reducing the Official Interest Rate, another way is to encourage people to liquidate assets so that they can spend or re-invest some of it. The encouragement is in the Tribute Rate set for the ensuing month. Assume the rate to be dropped to 15%, it is then in the interest of the Tributer to liquidate during this period, as they can effectively keep more to spend, save or invest.**

**It can also be argued that Tributers may decide to declare their Tributal Equity be assessed without the need to sell, and pay their Tribute due, thereby increasing the Government’s coffers and reduce money in the economy. Either way, it is a great tool for the Reserve.**

**Conversely, assume there is inflation in housing, as distinct from general inflation that may not be high, as incurred during the Howard era. Further, assume the speculative boom is causing economic casualties. The Reserve could set a rate of say 30% or more, thereby curbing the desire of the Tributer to sell if they risk exceeding the Threshold, and be taxed highly.**

**Desirably, there appears to be no benefit to Treasury by receiving funds, nor any outflow to further stimulate the economy when overheated already, either.**

1. **Tributers earning [or receiving] above $1,000 per week will have their deductions based on the said Schedule[[13]](#footnote-11), reduced or raised by a discretionary amount set by the Reserve each year. This gives the Reserve a further a long term economic fiscal tool to influence the economy. It may transpire the Reserve over the years reduces the impost to zero as the Carbon Emission Trading System [CETS] will bring $Billions into Treasury to offset PAYT reduction.**

**This may be an ideal time to introduce Tribute. Australia is destined to have the CETS upheaval, so why not get all the upheavals over during one coordinated period.**

**It could be argued that when a Tributer pays at a higher rate, it is unfair, but they receive a higher valued Certified Tribute Credit with an assessed Tribute Equity, that can be applied to future compulsory Tribute Assessments on the sale of assets requiring an updated assessed Tribute Equity.**

1. **The Reserve will set annually a Tributer Equity Property Assessment Valuation [TEPAV] starting at $5,000,000. The purpose is to allow a Tributer to be compulsorily assessed, where the Tributer’s assets based on valuations of the properties exceeds the Reserve’s TEPAV[[14]](#footnote-12).**

**The reason for the Reserve to set this is that they are charged with stability. This is a subtle tool for prodding realization of inefficiently applied assets [e.g. those that are being sat upon for speculative gain] being held by a Tributer. These assets could assist the economy if released into the economy for use. The suggested $5,000,000 is not a sacrosanct minimum or maximum. The decision to liquidate stills lies with Tributer.**

# ASSESSMENT OF LONG TERM ASSETS

**With the elimination of Income Tax[[15]](#footnote-13) however, the high paid Tributer [above $1,000 per week] will be still contributing under PAYT, for wage, salary and prescribed payments. These payments will NOT entitle the Tributer to a Certificate of Credit to be applied when being assessed on sales of assets where they are subject to Tribute after assessment of Tributal Equity above the Threshold of $1,000,000. However, the 10% GST component of purchase of assets is automatically converted to Tribute Credit when the Tributer’s Equity exceeds the Threshold, irrespective if a Tributer has had to PAYT or not[[16]](#footnote-14).**

**There is a perceived objection, that Asset rich persons will be loathed to sell assets for fear of incurring Tribute, and thereby slow the economy and tie up assets that would be better utilized by others. That problem exists now, due to the Income Tax, Capital Gain and Assessment Acts, mainly because speculators buy property for the capital gain on property held beyond a year, which are generally tax free. The longer they hold for this gain, the longer land and assets are underutilized.**

**This is a major reason for the shortage of property for renters and buyers, thus upping rent and inflation of house and land prices. It is o be noted that now speculators are burning with higher interest rates, and credit restrictions imposed by Financial Institutions being affected by the USA sub-prime crisis, they are releasing property for rent and or sale.**

**Income Tax does not address this economic travesty of resource mis-use, either. However, the following Tribute administrative tool, may just release property assets back into the economy.**

**The Tribute Office, [formerly the Tax Office] will commence a process after one year, to do an Audit of Tributers revealed from the Registers of Land and other Registries, to ascertain who owns property. Where a Tributer has real estate, and it has been held for more than five years, the Tributer will be audited for all assets and liabilities. Bearing in mind that the realization of assets is the catalyst for Tribute Assessment, never-the-less, holding onto assets without contributing to the economy by having assets utilized effectively [especially those held for speculative purposes], is to be discouraged, for the sake of the common weal [common good].**

**If required, the Tributer will be assessed, and where the Tributer’s Equity based on valuations of the properties exceeds the Reserve’s amount, set annually but starting at $5,000,000, then the Tributer will be required to pay Tribute. Time will be given in such circumstances to pay, but interest @ 18% [1.5%per month] will accrue six months after the assessment. This gives ample time to liquidate assets to pay their Tribute. After one year, the Tribute Office may enforce payment.**

**It is to be noted that the Tribute Office will be there to assist Tributers to pay their Tribute, not to persecute or harass. There duty will be to facilitate compliance, and hardship will be grounds for leniency in a Tributer meeting their need to Tribute per a Tribute Assessment[[17]](#footnote-15).**

**Consequently, Tributers with substantial Equity may voluntarily ask to be Assessed, and pay within one year with no interest on the Tribute due. They need not necessarily exceed the $5,000,000 to volunteer, but if the Equity is discovered to be below $4,500,000, then they can wait until they realize assets to pay Tribute. This encourages people to volunteer when they know they are asset rich and it is in their financial planning interests to be assessed, rather than wait for an Audit, which may be at a period when the Rate, as set by the Reserve, is high.**

**In the process of building Wealth, assets purchased have the GST component ingrained, and like that component, if proven, is able to be applied to the Assessment process of a Tributer’s Equity, and converted to a Tribute Credit. It follows that assets purchased before the commencement of Tribute, cannot claim the 10% GST component, as the dichotomous system of GST and Equity Tribute will not exist until then.**

**This avoids the notion that the builders of the Nation’s wealth is being double taxed, firstly by the GST and then by Tribute on a person’s Equity.**

**However, this does not imply PAYT is to be likened to GST, and therefore does not apply to those fortunate enough to being paid in excess of $1,000 per week and paying the receipt of income Tribute as outlined in PAYT, under Schedule 2 Weekly tax table COLUMN 2 above.**

# TAX OFFICE TO BECOME THE TRIBUTE OFFICE

**Naturally, the Taxation Office will become the Tribute Office to continue to administer the present taxation laws to wind down their effect of assessment and collection of tax outstanding. Therefore, present tax file numbers will become Tribute Numbers [TN] and the use of ABN’s will continue. They will prepare for the new Tribute laws, and then implement them from the start. The release of staff will ensure sufficient staff to facilitate a smooth changeover, and for the training of staff in Tribute Assessments and Audits. They will, as they have with so many reporting authorities at present such as banks and share registers, set up similar links with Land Offices, Motor Vehicle Registers and other bodies such as Insurers of assets not already liaising with the Tax Office. Many Officers will be freed up to be trained in valuation of real estate, essential for the valuation of land and property in establishing Tribute Equity**.

**The major benefit will be the ability of the Tribute Commissioner to create Tribute Audit teams to do spot and total audits of businesses, NPTs and individuals, and perhaps adopt part of the USA system of compulsory audits of all NPTs and persons over a five to ten year period. The knowledge of an inevitable Tribute Audit will be enough for most to be scrupulously honest. As most Australians have an equity base less than the Threshold of $1 million, they will never be audited.**

**The Tribute Audit teams will have a year to obtain from the Land and other Registries information and to prepare the list of people and NPTs needing to be audited as to their actual Tribute Equity.**

**The form of Certificates of Tribute Assessments and Certified Tribute Credit paid and their redemption and increase will need to be instituted. In these days of electronics, this is merely an administrative initiative that can be easily solved. The GST collected via Business Activity Statement [BAS], can be used as a model. The Tax Office officials know only too well how to do their job, and will exceed in their duties in implementing Tribute.**

**Unlike the present Tax Office, the Tribute Office Charter will include a duty to actively assist Tributers to assess their Tribute Equity, not to penalize them. They are to soothe the concerns of those worried they may be transgressing the new Tribute laws. No PROSECUTIONS will occur for at least five years, with conciliatory and persuasive methods being used to achieve a harmonious outcome for truculent Tributers. Prosecution is to be the last resort, but with total vigour.**

# *****GOVERNMENT BENEFITS TO BE INTEREST FREE LOANS*****

**The issue of ALL benefits from Government to Tributers [LIVING persons, not NLTs] needs to be seen as fair.**

**The benefit amounts would no longer to be considered a gift, but a loan [Security Loan] charged at zero interest to be repaid when the recipients’ financial circumstance allows it. The HECS Scheme is the perfect example of how it can be administered. When a person earns above a set amount, then ten percent [10%] is deducted, similar to HECS, and credited against the Security Loan.**

**All present loans, similar to the HECS, will be converted to Security Loans.**

**The Tribute Office will administer the Security Loans.**

**When a person sells assets that exceed the Nett Asset [Tribute Equity] threshold [$1million], the excess is applied to the Security Loan. Any amount over after repayment is kept by the Tributer, provided any Tribute due on the newly calculated Nett Asset [Tribute Equity] above the [$1million] threshold has been deducted [i.e. paid].**

**At death, the Tributer’s estate is charged with the Security Loan’s outstanding balance. Any debt still outstanding after proceeds of the estate are received is written-off by the Government.**

**A partner of the deceased of more than five years duration, may apply to take over the Security Loan of the deceased[[18]](#footnote-16), provided that partner has a Nett Asset less than the threshold[[19]](#footnote-17). Where the deceased had property as a joint tenant, the deceased share prior to death is to be considered equivalent to the Security Loan debt, and that becomes secured as a second mortgage on the property in priority to those listed after the first mortgagee, where the first mortgagee is a licensed financial institution under the Banking Act. The Security Loan is secured by this second mortgage. On sale or transfer of the property or part thereof by the remaining joint tenants, the Security Loan balance is taken from funds obtained from that second mortgage, where other assets of the Estate are not sufficient to meet the Security Loan.**

# ****THE DISENCENTIVE AND INEQUITY OF THE 50% TAX ON EARNINGS FOR SOCIAL SECURITY BENEFICIARIES****

**At present, income above $66 a week results in an effective 50% tax on the excess by reducing the benefit payable by this 50% SURCHARGE. Once a person earns above $115 a week, they then are actually taxed from their earnings at 15% AS WELL. No problem when earning $600 a week, but a major impost when trying to make ends meet when receiving assistance from Centrelink.**

**Consider this:**

**Resident income tax rates from 1 July 2008 (not including Medicare levy)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Taxable income range$** | | | **Tax rate%** |
| **0** | **To** | **6,000** | **0** |
| **6,001** | **To** | **34,000** | |  |  |  |  | | --- | --- | --- | --- | | **15** | **to** | **34,000** | **15** | | |  |  |  |  | | --- | --- | --- | --- | |  | **to** | **34,000** | **15** | |  |
| |  |  |  |  | | --- | --- | --- | --- | | **34,001** | **To** | **80,000** | **34** | | | | |

**Consequently, when a beneficiary earns from part-time work, assume 5 hours @ $20 x 2 days = $200, that is $1 tax plus $100 SURCHARGE being a reduced benefit, giving a nett gain of $99 for two days occupied in working. That is less than $50 per day. Add to that the frustration and time attending Centrelink to report this. It becomes clear why people give up trying and accept they have no chance; especially when full-time work is not offered.**

**Consequently, the following is suggested as a stop-gap until the Taxation Review recommendations can be implemented.**

**At present a benefit is reduced severely when a person is able to work a few hours, causing disincentive to take on work, as the earnings are taxed, then effectively taxed again as the benefit is reduced at drastic rates. The following gives incentive to work, and helps people on disability, sickness and pensions of more than one year’s duration to achieve a reasonable standard of living and come off benefits that are increasing their Security Loan.**

**Assume the benefit to be $300 per week[[20]](#footnote-18), plus a rent allowance if applicable of up to one third of the rent charged. As a person’s income increases, the rate of benefit reduces until the income meets a proscribed “reasonable standard of living”, in this example $31,200 per year [$600 per week]. The rent allowance would reduce after a nett income of $500 by 50 percent of the excess nett income above $500.**

**A person earning $0 to $100 reduced benefit @ 0%.**

**A person earning $101 to $200 reduced benefit @ 10%**

**A person earning $201 to $300 reduced benefit @ 20%**

**A person earning $301 to $400 reduced benefit @ 30%**

**A person earning $401 to $500 reduced benefit @ 40%**

**A person earning $501 to $600 reduced benefit @ 50%**

**A person earning $601 onwards reduced benefit @ 60%**

**The affect is as follows:-**

**Increased Reduction Table**

**Nett Income**

**Percent Rounded $ Rent**

**$No income reduced Benefit 300 Reduced**

**$100 income [ 0%] $300-$0 =$300+$100 = 400 0**

**$101 income [10%] $300-$10 = $290+$101 = 391 0**

**$200 income [10%] $300-$20 = $280+$200 = 480 0**

**$201 income [10%] $300-$40 = $260+$201 = 461 0**

**$300 income [20%] $300-$60 = $240+$300 = 540 $20**

**$301 income [30%] $300-$90 = $210+$301 = 511 $5**

**$400 income [30%] $300-$120 = $180+$400 = 580 $40**

**$401 income [40%] $300-$160 = $140+$401 = 541 $20**

**$501 income [50%] $300-$250 = $50+$501 = 551 $26**

**$600 income [50%] $300-$300 = $00+$600 = 600 $all**

**The rent allowance ceases at $600 as well, and benefits are suspended for twelve months before cancellation, to ensure the person can go back onto benefits if they cannot cope with the work load during that period, having come off sickness, disability or other type of pension [beyond one year duration] that may prevent work income above the break-off point.**

**For the unemployed and other beneficiaries, achieving an average above $400 per week for longer than fifteen weeks, would have their benefits cancelled, but they may re-apply if unemployed after a further ten weeks.**

**There is no necessity for the employable to have as high a break-off point as with the sickness and pensioner beneficiaries, as their Security Loan is intended as stop-gap measure to tide them over until the next job. Further, it gives them the incentive to obtain full-time work, or a second part-time job, rather than a disincentive to get off benefits.**

**Those on pensions of any sort, who own their home, in lieu of a Rent Assistance allowance would be able to obtain a Mortgage Allowance of 50% of their mortgage repayments, where that loan had been obtained to purchase their home, up to a maximum of $100. This Mortgage Allowance would be charged to their Security Loan[[21]](#footnote-19).**

**To repeat, a person’s benefits, as they earn income, needs to be reduced at a fairer rate than the present 50% per Dollar earnt above $61 per week. By combining Tribute and that suggested in the**

**Increased Reduction Table[[22]](#footnote-20)**

**above, people can have incentive and dignity extricating themselves from Centrelink reliance for benefits.**

**It also stops the incurring of a larger Security Loan, which has to be repaid eventually, as explained before.**

**Other benefits, such as Child Support, Child Bonuses and Allowances become a Security Loan debt of the beneficiary, not the child.**

**Subsidies for purchase of energy saving devices and other incentive schemes become a Security Loan debt of the receiver.**

# CONCLUSION

**Tribute allows the elimination of repressive and manipulative Income and Capital Gains laws, and imposes the complimentary dichotomy to the GST. It frees up most Australians to aspire to a personal equity of $1million before being liable to pay tribute to the Nation that allowed them to acquire that wealth, yet been able to create other jobs through their expenditure and by paying a 10% donation through GST System.**

**The decrease in Revenue with the elimination of Income Tax and Capital Gain laws will be offset by the Revenue stream of Tribute and the proposed Carbon Trading taxes or fees.**

**It is relatively easy to implement via the present resources of the Taxation Office being absorbed by the Tribute Office.**

**Centrelink beneficiaries will be compensated via the higher base benefits [$300 per week, up from $273.40, a 9.73% increase] and be able to earn money without drastic reductions in those benefits until earning a comfortable income of $600 a week, untaxed.**

**Benefits become a Loan, thus discouraging unnecessary claims.**

**It is fair to all, including those the Nation allows to become wealthy.**

## Some Terms used in this Paper

**Carbon Emission Trading Scheme = that to be defined soon.**

**Realizable Wealth = Tributer’s Equity**

**Tributer’s Equity = nett realized assets less proven liabilities.**

**NLT:**

**Non Living Tributers [NLT] namely; Companies, deceased estates and other incorporated and non-incorporated bodies that do NOT receive a Threshold concession.**

**Tribute Credit = the Tribute paid on Assessed Tributer’s Equity.**

**Tribute Threshold = $1,000,000 deducted from Equity to which Tribute is assessed.**

**Tributal Assessment = Assessment of a Tributer’s Equity.**

**Tributal Amount = Tributer’s Equity less the Threshold entitlement.**

**Tribute Rate = the rate set by the Reserve Bank.**

**Tributer = A person or NLT.**

**Pay As You Tribute [PAYT] for person’s earning above $1,000 per week, the Rate being set by the Reserve, based on Column 1 Weekly Tax Deductions Table, Schedule 2, 1 July, 2008.**

**Tribute Office = Administrator of Tribute incorporating the Tax Office.**

**Tribute Assessment = Tributer’s Equity, less the Threshold if a living person [or nett asset position exceeding $1million], on which Tribute is paid at the Tribute Rate.**

**Tributer Equity Property Assessment Valuation [TEPAV] as set by the Reserve Bank periodically.**

**Certificates of Tribute Assessments and Certified Tribute Credit = the Certified Assessment of Equity on which the Tribute has been paid.**

1. Income & Capital Gains Tax and Income Assessment Acts [↑](#endnote-ref-1)
2. ©Russell Lindsay Moffet 2008

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3. One million Dollars is a fair and reasonable amount in 2008 for a person to accumulate from their earnings before a Tribute is incurred on each Dollar realized above that amount. [↑](#footnote-ref-1)
4. Any asset that is readily converted to cash within a month, such as shares, money, stock, debtors. [↑](#footnote-ref-2)
5. Based on the Original Treatise by Russell L Moffet, as considered by the Tax Summit, 1984 conducted via Prime Minister Bob Hawke’s Economic Planning Advisory Council, 1984. [↑](#footnote-ref-3)
6. See the Heading “New Economic Tool – Variation in the Rate of Tribute”. [↑](#footnote-ref-4)
7. The Reserve Bank will set this monthly, as a second monetary tool in conjunction with setting the Official Interest Rate. See Heading “New Economic Tool – Variation in the Rate of Tribute”. [↑](#footnote-ref-5)
8. See ‘Government Benefits to be Interest Free Loans’ below [↑](#footnote-ref-6)
9. See “NEW ECONOMIC TOOL – VARIATION IN THE RATE OF TRIBUTE’ below [↑](#footnote-ref-7)
10. See ‘***GOVERNMENT BENEFITS TO BE INTEREST FREE LOANS*** ‘ [↑](#footnote-ref-8)
11. ***However, those on Centrelink Benefits will need direct assistance. See* THE DISENCENTIVE AND INEQUITY OF THE 50% TAX ON EARNINGS FOR SOCIAL SECURITY BENEFICIARIES** [↑](#footnote-ref-9)
12. See “NEW ECONOMIC TOOLS – VARIATION IN THE RATE OF TRIBUTE’ [↑](#footnote-ref-10)
13. See above ELIMINATION OF INCOME TAX AND THE TRANSITION PHASE [↑](#footnote-ref-11)
14. See ‘ASSESSMENT OF LONG TERM ASSETS’ below [↑](#footnote-ref-12)
15. See ‘Elimination of Income Tax and the Transition Phase’ [↑](#footnote-ref-13)
16. See ‘ [↑](#footnote-ref-14)
17. See Tax Office to become the Tribute Office [↑](#footnote-ref-15)
18. The purpose is to not put financial hardship on the partner of the deceased as per the Charter of Duties for the Tribute Office to assist and facilitate compliance. [↑](#footnote-ref-16)
19. The threshold initially set at $1million [↑](#footnote-ref-17)
20. By increasing the Benefit to $300 and Rent Assistance to 50% of rent paid to a maximum of $150, the Government will be helping with the Carbon Trading Scheme’s tax impost. [↑](#footnote-ref-18)
21. See ‘***GOVERNMENT BENEFITS TO BE INTEREST FREE LOANS’*** [↑](#footnote-ref-19)
22. See ‘THE DISENCENTIVE AND INEQUITY OF THE 50% TAX ON EARNINGS FOR BENEFICIARIES [↑](#footnote-ref-20)