

To whom it may concern,

Please see below 3 suggestions for simplification of the Australian tax system.

1. RELATES TO: Personal Tax

Have a very high tax-free threshold and then a flat percentage tax on personal income above that. No deductions, loopholes, offsets etc.

Design the threshold and the flat rate so that it is equal to today's revenue from the extremely complex collection of tax.

This would be a strongly progressive tax, simple to understand, simple to collect, and it would mean a proportion of the community would not have to be involved in the income tax/welfare system.

Attempts at fairness only breed complexity, but complexity benefits only those that already have the most capacity to minimise their tax contribution. Fairness in intent has a perverse outcome. We should focus on a fair outcome and that comes from the simplest system.

I propose that the rate should be equal to the corporate rate in order to end the structured arrangements entered into by individuals in order to minimise taxes.

The experience in other countries has shown that lowering and simplifying taxes in fact increases collections of tax. Fewer people spend time and money trying to minimise their taxes and can then get on with contributing to their society.

2. RELATES TO: Business Tax

Tax corporations at the Revenue line at a low rate.

This would be instead of taxing corporations at the profit line at a high rate, which is the major cause for the complexity in the fields of law, accounting, and finance.

Design the tax rate so that it is equal to today's revenue from the extremely complex collection of profits tax. (Because all proposals should be "Revenue Neutral"). This would likely be a very low percentage rate.

It would end the deliberate corporate structuring in order to minimise taxes, in particular through the use of debt and off-Balance Sheet vehicles.

The incentives for owners and directors, rather than maximising expenses, would be for maximising revenue and lowering costs.

This would foster improved community approval of companies, who would be seen as contributing their fair share. This would be especially notable for companies that are multi-national and have the greatest opportunities for profit shifting and tax-haven hunting.

3. RELATES TO: Tax System Governance

Limit, by law, public sector proportion of GDP to 25%.

Much of the complexity in the tax system relates to the government spending system. If every new programme required an old programme to be cancelled it would focus attention on concrete preferences. "Is the new programme a better use of funds than the existing use of funds?"

Limiting public sector spending would also limit the need for continuing increases in taxation to fund an increasing list of programmes. It would also be useful if every proponent of a new spending bill were to name the existing spending that would be replaced. The number of new programmes that are claimed as priorities would likely decrease.

Limiting public sector spending also opens more opportunities for free enterprise to improve society through new ideas and technology. This would generate more tax revenues through a faster growing economy in an organic fashion rather than in a punitive fashion that ultimately would lead to a slower economy and lower revenues.

Sincerely,
Andrew Harrington

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