

Political Guts

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Mr Wayne Swan
Treasurer
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

CC
Prime Minister Kevin Rudd
Finance Minister Lindsay Tanner
Assistant Treasurer Chris Bowen

Dear Mr Swan,

In August 2008, you announced a review of the Australian Taxation System and you are to be commended for this long overdue initiative. However, my question is whether the review will consider only what currently makes up our taxation system, or would you consider a totally different model, which solves the majority of the problems of the current system and greatly simplifies all taxation issues for everyone, the ATO included?

The current raft of problems of the Australian Taxation System as it is includes:

1. The shrinking taxpayer base, with our aging population
2. Tax avoidance and minimisation strategies and the law
3. Inequities within the system, with wage earners paying a disproportionate percentage of the tax collected, and business and especially multi-nationals paying much less
4. The challenges of collecting enough tax revenue to run the nation, without alienating voter groups within the community
5. The challenges of operating more fair "user pays systems" in a regime which is structurally inappropriate for the concept
6. The cost of collecting taxes and administering the tax collection process
7. The initiative crushing effect of the tiered taxation system, with higher income people penalised by paying proportionately more than lower income levels

Mr Swan, there is an alternative, not a totally new idea, but one worthy of further investigation. I have written extensively on the benefits of it on my website www.politicalguts.com but I also summarise the benefits below. The concept is the Transaction Tax, which levies a 1.5% fee on all bank transactions within Australia, effectively taxing everyone once at 1.5%, unless they are transferring money between accounts for other reasons, such as major corporations do when trying to hide funds or avoid tax. Everyone else pays a flat rate of tax of 1.5%, with no exceptions.

The benefits could include:

1. A single, simple 1.5% tax rate, levied on every banking transaction on entry to the bank account. E.g., a \$1,000 weekly wage electronic transfer would enter the bank account of the wage earner and be shown as an amount of \$985 net after tax.
2. No tax deductions would be allowed for any individual or entity, greatly simplifying recording
3. All other taxes of any and every kind would be removed
4. The total taxation revenue would remain approximately the same
5. The cost of operating the Australian economy would be reduced, which when combined with the same tax revenue, would effectively provide a greater taxation budget surplus
6. Costs to businesses would be reduced incredibly, resulting in greater profitability and therefore a higher tax take again
7. Tax would be paid on receipt by all entities, therefore eliminating the opportunity or need for tax avoidance strategies.
8. GST will be removed, eliminating huge amounts of bureaucracy and provide an opportunity for simpler state funding allocations, eliminating many state entitlement arguments
9. With no taxes on building industry materials, the cost of housing and land development will be greatly reduced and make affordable housing realistic within the next term of parliament
10. With excise eliminated as a tax, oil prices can be based on a cost plus structure as other commodities and services are, greatly reducing the cost of fuel, thereby providing a great economic stimulus
11. A 1.5% transaction tax would make Australia a very attractive location for major companies wanting to headquarter in a safe haven, away from terrorism, unstable government, climate or ideological problems, and promote Australia's growth as a genuine leader on the international economic and political world scene, striding forward into the 21st century while other nations struggle just to maintain their places

With such a transformational regime, Australia truly can become the nation we desire it to be, attracting and earning the respect and admiration of other nations around the globe. It would catapult Australia into the lead as the most desirable global location to run a business, raise a family or retire to. We already have the climate and geology, we have the political stability, we have much of the infrastructure and more usable open space than any other country on the planet.

Mr Swan, I urge you to visit my website and read more about this concept, and research the concept even further – it is not my original idea and much has already been written and researched about it, my website will tell you where to find more information on it.

Meanwhile, I will canvass the idea even wider, amongst your colleagues and the general population, whilst I await a response from you. I also look forward to seeing the outcomes of your very timely Taxation Review and to seeing whether this 1.5% Transaction Tax makes it into the list of options.

Sincerely

Ray Jamieson
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