

Dear Honourable Sir/Madam,

The greatest threat to the budget is the conflicted interaction between our social welfare entitlements system, where entitlements are based on family income and an income tax regime which is based on an individual's taxable income. This leads to disincentives to work affecting productivity, manipulated juggling of family incomes against perceived entitlements and inducements into various tax minimization arrangements.

To untie the Gordian Knot of this interaction between entitlements and the income tax system requires a revolutionary and imaginative approach to this dilemma. I would therefore suggest that abandoning the existing entitlement system, which consumes huge amounts of tax dollars in benefits and administrative infrastructure costs and replace it with a simplified tax system of taxing incomes of families as a unit at half the current individual rates, with fixed dollar exemptions for each dependent family member and a head of household exemption for sole parent households. The benefits of such a change in the tax and welfare system would be as follows:

- The elimination of payments to most working families, regardless of whether there are one or two income earners in the family
- Reserving welfare benefits for families where both spouses are unemployed or whose income is below a CPI indexed threshold whilst encouraging a sense of mutual obligation to find work.
- Greater take home pay for each working family in lieu of Centrelink payments.
- Reducing the costs of administering the social welfare system and a bloated welfare industry
- Encouraging work vs welfare
- Reducing tax minimization arrangements via partnerships, companies and trusts

It is essential in constructing such a system so that individuals and families are on the whole no worse off financially otherwise opportunistic scaremongers will attack any removal of entitlements mercilessly, as recent experience has shown.

However, it is essential that entitlements such as Family Tax Benefits part A&B, School Bonus, Baby Bonus, Austudy, Child care Benefits, be abolished and replaced with a Tax Credit system, capped deductions for education expenses which encourages work rather than welfare, self reliance rather than a nanny state mentality, while still providing a safety net for the most vulnerable in our society by way of welfare payments at rates that don't discourage work and self reliance.

It is time to stop the promotion of vote grabbing entitlements and the lamentations of winners vs losers in political gamesmanship.

Furthermore, attacking such areas as superannuation and negative gearing is also counterproductive as Australians plan their affairs according to the rules and laws existing at the time. Whilst changes may appear easy pickings in pursuit of increasing treasury revenue they are more often than not counterproductive as they produce onerous unintended consequences.

The last time our government abolished negative gearing in 1985 it resulted in a building industry recession, a loss of stock available for rent and an explosive rise in the share market. This led to its reversal in 1987 which resulted in a share market crash, an effervescent building boom, 18% interest rates and the "recession we had to have". Those who ignore the lessons of history are doomed to repeat it.

As to changes to superannuation, we can't reduce dependency on the Commonwealth Age Pension whilst at the same time attacking savings in superannuation. Attacking the wealthy who already bear a disproportionate share of the tax burden is just a manifestation of the lamentable tall poppy syndrome against the overachievers in our society. We should be rewarding and encouraging more of them, not penalizing them. The signals of the past have encouraged dependency on the state rather than one's own efforts.

If we want a fair society, it should be as fair as possible for all.