A SUBMISSION ON TAX REFORMS

(a) the social and economic impact of taxing people who earn less than the cost of living;

- we propose an idea of government's primary role is establishing equality in rights consistent with the tax philosophy that "renders unto society the value of land that grows with (cooperation and synergy of) community and leave sacred all that belongs to the individual"

(b) assumptions used by the Treasury in modelling income tax cuts;

- we support a taxation the principles that all taxation courses outlined on Table 1 of our attachments
- let it be understood that the advocacy of a site rent or a tax on the unimproved value of land is not a proposal for an additional tax to burden the people but the diminution and replacement of other taxes not compliant with taxation principles in the first place;

(c) the tax arbitrage between onshore and offshore profits that encourage domestic profits to be transferred offshore rather than retained in Australia;

- that an economy that applies this proposed philosophy and the essential principles of taxation can and will be a tax leader in compelling capital and labour to remain in its shores and enticing said factors of production to consider moving here, if Australia so decides to pursue and apply this direction;

(d) the tax arbitrage between onshore and offshore profits that puts companies domiciled in Australia at a competitive disadvantage to companies domiciled offshore;

- that the application of the proposed tax philosophy and compliance with basic tax principles will enable all producers to the exclusive use and enjoyment of the fruits of their efforts;
- in short, a nation with a just tax system will be more attractive than nations with tax systems (through non-adherence to at least the principles) that are unfair and the natural consequence will be economic leadership as well;

(e) the abolition of numerous tax loopholes that favour special interest groups, in particular, foreign interests;

- as previously implied, propose the idea of equality in rights, lest the government and its citizens may decide to do otherwise and foreign investors may shy away too;

(f) the actual net company tax rate after franking credits have been refunded;

(g) the cost of recycling franking credits to and from Canberra;

- while the refund of franking credits will be unnecessary if taxes on income were not to be taxed to begin with; refunding franking credits and foregoing their recycling to fro the ACT is a welcome transition;

(h) whether capital gains tax concessions for passive investment cause a misallocation of capital into the non-productive economy which has to be offset by higher taxes on active income which drives down productivity and the velocity of money;

- consistent with the idea of government and the social philosophy we espouse, as well as the taxation principles we wish to uphold, this issue must be guided by the intention of a Tobin Tax on sheer financial transactions; tax reforms must be designed so that the production of wealth in goods and services not be taxed or, as a transition, be less taxed so investing in the real sector of goods and services is more attractive than paper profits from speculative markets;
- moreover, any Tobin taxes or the like must take great care the bearers of financial wealth of Australia not just move to another financial haven friendlier to them and recycled as foreign investments entitled to incentives not available to local producers and service providers; the key is to make the opportunity of investing in the Australian economy as a major trading partner of goods and services more attractive than the uncertain global financial market climes;

(i) related matters.

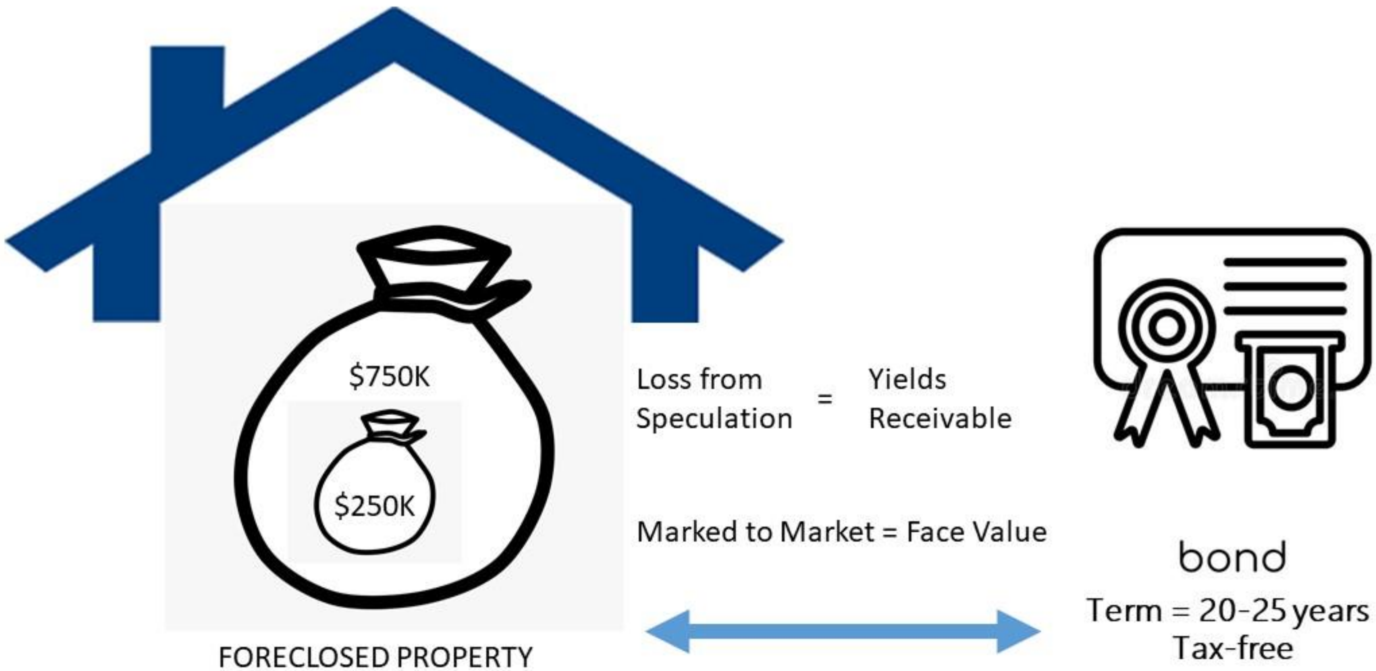
- this submission also wishes to address the role of tax reform in the alarming homelessness, the trend in housing distress and unaffordability and the impending housing shortage and the growing risks of maintaining the path of negative-gearing and stamp duties summarised in the second attachment;
- moreover, the dilemma behind negative-gearing has failed to deliver the promise of a private sector-led housing development
- interest rates play a role in the precariousness of the situation as investors must repay the mortgage or face a costly foreclosure; the more an investor purchased multiple properties leveraged on the previous acquisitions; the more unstable becomes the market;
- we wish to explore a strategy of (i) a transition from stamp duty to land value tax that the NSW government attempted and (ii) a debt swap in the unfortunate event of a US Sub-Prime crisis happening in Australia that is succinctly illustrated in the third attachment of this submission.

Tax / Principles	Equity	Efficiency	Simplicity	Certainty	Convenience	Sufficiency	Flexibility
Land Value Tax/ Site Rent	Render to society the value of its location to the society	Encourages productive land use and development to afford the tax	As easy as collecting rent	Land cannot be moved but subject to calamity risk.	Valuation challenges between book and fair market;	Encourage productive land use and development by private residents	Locational advantages are the basis of value;
Income Tax	Progressive (without loopholes)	Dampens aspiring for higher incomes, honest declaration	Paid before they are filed, then subject to audit.	Does not cover asset appreciation. Encourages rent-seeking.	Complexities in paperwork and dealing with the bureaucracy.	Broad base source of revenue that grows when the economy grows,	Tax rates can adapt to suit changing economic conditions
Consumer Taxes: VAT, GST, GRT	Potentially regressive.	Delayed remittance to government; more informal transactions	Point of sale collection.	Everybody is a consumer.	Bureaucratic requirements	Broad & universal base of revenues.	Requires classifying staples and luxuries
Wealth Tax	Progressive based on wealth holdings	May be a disincentive to save; requires audits & incentive for capital flight to havens	Privacy laws and economic rights challenges	Can aggravate a recession or depression	Valuation challenges between book and fair market	Subject to the market, tax havens & technology	Subject different treatment for asset types.
Real Estate Tax	Property owners that include improvements	May be a disincentive to develop properties	Pay as one files.	Subject to calamity risk and the vagaries of the markets	Complexities in administration, classifications and auditing	Broad base of revenue	Valuation of location and improvement costs
Capital Gains Tax	Target realized from liquidation of assets	May be a disincentive to long-term capital formation	One-off tax collection	Uncertain market timing and collection schedule	Valuation of liquidation less acquisition cost	Dependent on number and values of assets	Variable on type of asset
Environment Tax	Burden falls on polluters as the market fails to curb pollution.	Addresses market failures in negative externalities	Complexities in measurement, evaluating and monitoring.	Subject to technology, innovation and success of GHG reduction	Subject to accounting and verification in attributing GHG reduction	Inflation from higher business cost can diminish the revenues it generates.	Monetised GHG reductions must be a means of tax payments by companies
Sin/Excise Tax	Burden based on undesirable consumption	Addresses market failures in the social sphere	Collected from point of sale.	Subject to social conditions and informal markets	Collected at point of sale	Revenue will first address social problems	Variable on kind of product and service.
Tobin Tax	Burden on sheer financial transactions	International enforcement, especially in tax havens	Point of transaction	Give rise to grey/ informal markets	Requires cooperation of financial institutions	Subject to the market, tax havens & technology	Adaptive to financial assets involved
Inheritance Tax/ Estate Tax	Aims to transfer wealth more equitably	Discourages wealth formation; encourages consumption	One-off tax collection	Incentive to consider transferring assets overseas	Acrimony arising from among heirs	Dependent on number and values of estates	Variable treatment based on kind of assets
Import Duties and Tariffs	Targets revenues from imports & potentially exports	Disincentive to trade but incentive to import substitution	Point of transaction	Retaliation from trading partners and domestic interests	Complexities in administration, classifications and auditing	As a disincentive to trade, risks diminishing its own base. Inflationary.	Variable rates based on assets involved

ATTACHMENT 1

Tax Policy	Pros	Cons	Supporters	Resistance
Land Value Tax/ Site Rent	Diminishes the speculative demand that is largely responsible for housing unaffordability. Returns to society the land values that its cooperation enhances. More steady source of revenue than stamp duties. Has historical proofs of concept across history and countries	The allegation that it will put at disadvantage low-income earners unable to pay LVT that rise with the growing advantages of the location it is on. As a dogma, this may be true. However, as a principle, a resident's participation and contribution in improving the attraction of the community is a form of LVT.	First-time buyers and one-home owners; academics who believe it is most compliant with the principles of taxation and for it to succeed requires eliminating other taxes	Property passive speculative investors; low to zero income owners; powerful vested interests and a tradition that is unable to resolve the conflict between fulfilling tax principles and the practice of taxation.
Negative-Gearing	Taxable income reduction as a means for encouraging private investors to invest in properties as an alternative to government housing	Vulnerable to financial market instability; illiquidity of investors; over-investment in property. Failed promise to deliver the housing supply to meet rising demand. Deprives government of a steady stream of revenue that LVT could have provided.	Investors basing their wealth on optimistic and current marked-to-market valuation	Economic analysts that presnt the case of the unfulfilled promises, growing homelessness and rising housing unaffordability.
Positive Gearing	Liquid earnings, lower risks, more predictable returns independent of interest rates	Lower capital growth; less common in more desirable locations; missing out on tax benefits from negative gearing	Conservative property investors and their beneficiaries	Economic analysts aware of the limitations of this approach to make more desirable locations affordable and beneficiaries of negative-gearing.
Stamp Duties	Provides significant immediate revenues for government at a one-off payment. Easier to administer and collect.	Revenue fluctuates subject to market conditions that influence number of transactions and property values. It is a burden on buyers that discourages especially first time homeowners,	Economic analysts optimistic that the rising trend in prices will continue ad be sustained regardless of the inability of the supply to meet demand.	Single-source, fixed and high income earners

ATTACHMEWNT 2



ATTACHMENT 3: BOND SWAP FOR FORECLOSED PROPERTIES