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24th February, 2015.

The Secretariat, Standing Committee on Tax and Revenue, House of Representatives Committees

I seek to have the Committee inquire into the efficiency of revenue raising referred to as the “Cost of collection” on page 49 of the 2104 Annual Report of the Australian Taxation Office and to propose an enhanced method. The report admits that the current system continues to cost almost \$1.00 {ATO estimate of \$0.90} for every \$100.00 it collects. Such gross inefficiency requires a radical overall.

This is independent submission to the Committee outlines an alternative, namely a micro-tax. The micro-tax proposal is for a complete overhaul of the current revenue raising policies by the use of an automated payment financial transaction tax to replace and eliminate all other forms of taxation.

The micro-tax is efficient, effective and equitable. It will deliver efficacy in social and political improvement. Comprehensive research has been completed on a very similar tax proposal called the Automated Payment Transaction Tax as proposed for the United States of America. That system was developed by University of Wisconsin–Madison Professor of Economics Dr. Edgar L. Feige. Among 19 of the 24 leading economies in the world, there is now either partial implementation or “majority support” for similar reforms.

The proposed long-term plan and gradual introduction will allow adequate adjustments by all sectors of society. The early receipt of funds and the efficiency of the system would provide adequate operating funds for the Government during the transition.

The micro-tax will deliver substantial reduction in taxation avoidance as a key component. The extreme broad base and total lack of exemption allows the lowest possible rate which may need some final adjustment but is modelled in current international studies as **“One cent in one hundred dollars”**.

- **The key components**
 - on all financial transactions
 - in all financial institutions in Australia
 - the funds would be deducted by the financial institution at that time of the transaction and immediately electronically transferred to Treasury
 - the funds in the longer term for substantial increase in social services and infrastructure

- **The key phases**

{The tax is to be legislated during the July to December period and is to commence from the following 1st July. Legislation will incorporate the various transitions such that as the micro-tax is introduced and increased, the taxes it replaces will be simultaneously reduced.}

- Introduction of the micro-tax equivalent to 10% of income {personal and company} tax and simultaneous reduction in income tax.
- Commencement of second financial year, increase micro-tax to the equivalent to 50% of income {personal and company} tax.
- Commencement of third financial year, increase micro-tax by the equivalent of all other forms of taxation.
- Commencement of fourth financial year, increase micro-tax to the equivalent of all other forms of taxation and 100% of income tax. **It becomes the only tax.**
- Commencement of fifth and subsequent financial years, adjust the required rate to ensure optimal reallocation of resources.

Your detailed enquiry into this practical and popular proposal is requested as a precursor to its introduction as multiple party policy at the next election. I look forward to your response.

Yours faithfully

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