

On the dry side

It's not avoidance or evasion — just waste

THE tax system is in disrepute. It is seen to be seriously inequitable. Most taxpayers feel cheated.

There is a carefully fostered but false belief that thousands of millions of dollars can be recovered by use of tougher laws against "the other taxpayer."

The Government is about to adopt retrospective legislation which will be anathema to true libertarians, worrying to all liberals and give rise to righteous indignation among those who are neither but who have a position to protect.

It is plain that the tax laws have lost the respect of most taxpayers so that now only draconian measures can collect the taxes, but how did we get in such a mess?

The 1830-42 edition of Encyclopaedia Britannica said this about income tax . . . "the commissioners of an income tax would in the end have nothing to trust to but the declarations of the parties."

"Hence it is that the tax would fall with its full weight upon men of integrity, while the millionaire of "lazy virtue" would well nigh escape altogether.

The taxpayers' revolt has a three-fold genesis.

These are an almost universal understanding that the taxes once collected are wastefully spent, over reliance on income tax and the unfair incidence of Australian income tax.

It is easy to sympathise with those of my colleagues who have both objected to high levels of government expenditure and now object to retrospective legislation.

I have less sympathy for those public sector spend-thrifts who now would deny the Government the capacity to protect its revenues.

It is impossible to measure the effect upon "tax morality" of conspicuous public waste but it is not difficult to gather anecdotal evidence of public re-vulsion.

By JOHN HYDE, MP

organised but economically illiterate campaign by the retail traders the Government retreated from a policy it must have known to be necessary.

That failure of will was a political watershed which has flowed on to the coalition's present difficulty.

Australians now, as then, have only three options; elect a less profligate government if they can find one, accept some sort of tax on sales, or put up with income tax and income tax evasion. (We may have stamped out the most serious avoidance but evasion through the cash economy is much more difficult to eliminate).

The system is seen to have its favourites. It is unfair that some families, with or without the use of family trusts benefit from many tax thresholds while

the single income family benefits from only one.

It is wrong that farmers alone may average their income back and thus benefit from inflation, and it is worse that they may then choose the lower of current year or average tax rate.

The extraordinary provisions which encourage tax havens in the film industry and the tax free status of gold are inequitable.

A politician's ability to accept any unused portion of his electoral allowance as tax free addition to income is wrong.

Laws that do not tax capital gain but try to distinguish between capital gain and income by reference to intent at the time of purchase are impractical and give rise to serious inequity and so on.

It is neither evasion nor avoidance but waste, limidity and legislated loop holes which reflect badly on politicians.

Welfare payments to those who are either not in financial need or who are seen to have watonly caused their own financial plight; multi cultural television; the defence force academy; an over-manned, over superannuated civil service, which administers policies which — like the two airline agreement, the tariff and the super bounty — benefit the few at the expense of the many; all contribute to tax avoidance and evasion.

The Commonwealth collects 63 per cent of its revenues from taxes upon income — including the incomes of companies.

Only New Zealand relies as heavily upon income taxes, although others, who have larger public sectors do have similar rates of tax.

Inevitably marginal tax rates are high, (up to 78 per cent in the case of some double taxed dividends). Inevitably there are big rewards for those who will not pay.

Over two years ago while the Government still controlled the Senate, the Treasurer set out to change the emphasis of the tax base in favour of a more broadly based tax on the sale of goods.

In the face of a well

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