

Title: White Paper on Tax Reform: Benefits FOR Australia

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Abstract

The concept 'Tax Reform' is a favourite topic when Australian Governments want to divert attention away from our perilous economic plight, as Australians tend to tire of discussing the other three topics that are waved like a red flag to a raging bull. Unfortunately many Australians are financially illiterate and respond to all topics much like colour-blind bulls respond to red flags.

The concept 'Tax Reform' is also a favourite topic when foreign Governments want to increase the level of Colonial Taxes that Australians pay.

Preeminent philosophers such as Kant and Wittgenstein suggest that it is unwise to use words if we do not understand what they mean. Discussions about 'Australian' taxation normally contain many words that are used in a non-standard way. Examples include Tax, Reform, Tax-reform, the Economy, Fairness-Accuracy&Transparency, Transparency and Unquestionably-strong. Transparency and Fairness may be valuable products for o/s organisations that results in opaque transactions that are totally unfair for Australia. *Unquestionably-strong* may refer to the fact that an organisation is cashed up and ready for a double Dutch-Irish relocation along the lines of James Hardy.

Australians tend to assume that Tax-reform initiatives will provide benefits to the Australian people and the Australian Economy. Unfortunately the evidence indicates that, while Americans may experience short-term benefit, it is the Europeans who are the real beneficiaries, as Colonial Taxes are collected in the most Transparent way (for them).

Loopholes have been introduced into the Australian Taxation System so frequently that the resulting legislation looks more like a Swiss Cheese or a Sierpinski Triangle. Reforming Australia's Taxation System can provide benefits for all Australians.

NB: This is a rushed report and I apologise for any errata.

Yours Sincerely

David Allen, B. Sc (Hons, Maths), MA (Management), technical IT-expert with a lot of operational experience in Financial Services, Transport, Education etc in Europe and Australia, independent of all political parties and lobby-groups. NB. When I formed a small IT-consulting company, my reputation in Holland was so good that HO of one of Holland's largest banks offered to do my bookkeeping.

1: Challenges for Australia's tax system

Australia is a large well-resourced continent with a small population of just 22 million people. Its resources are being depleted at an alarming rate, providing lives of luxury and oceanic-cruises mainly to people who live in the Northern Hemisphere. Whilst most Australians are provided with an adequate standard-of-living, many live in poverty, relying on their credit cards to pay for their basic necessities. The future for many, especially the young, is bleak as the rich hoard money in much the same way as European leaders are doing.

The challenge is to reduce the level at which Australians are taxed so that basic needs such as Education, Health, Food, Roads, Energy, Housing, Entertainment, Defence and Communication are provided and to improve the maths curriculum.

The first priority is to redesign Australia's taxation legislation to remove most of the loopholes, thus ensuring that large corporations that do business in Australia actually pay taxes in Australia. At the moment the taxation legislation is so full of loopholes that any company that pays Australian taxes may be doing so on a voluntary basis.

2: Australia's tax system.

Large numbers of 101-type legal people and taxation experts come to Australia to advise us about our taxation system which is exceedingly complex, full of loopholes and totally ineffective in achieving the goals it was meant to achieve. While other countries may have similar deficiencies in their native taxation system, the fact that their 'Transparent' Colonial Tax collection systems are so effective more than compensates and this is an advantage that most countries like Australia may not enjoy.

Australia's tax system was intended to provide some Benefits for Australia. Instead of doing this, it provides tax-breaks for projects that are expensive and very risky, with post-flood re-construction of buildings on our once valuable river-flats being an example. It provides incentives for o/s organisations so they have a 'level-playing-field' (i.e. an enormous advantage) when doing business in Australia. Cloud computing is subsidised so banks can store their data in the same computers that criminal organisations use and exploit. A new dot-com-dot-bust may be imminent according to some experts and the compulsory use of online tax returns dumbs the Australian system down.

Australia's whole taxation system needs to be redesigned by Australian-born Mathematicians.

3: Individuals

Tax systems are generally designed so that the wealthy pay most tax and the poorest pay no tax. Generous tax breaks for wealthy over several decades have distorted this picture and bracket-creep ensures that the poor pay more tax than the wealthy who may pay no tax at all. The wealthy have quite complex (and possibly illegal) arrangements to ensure they minimise their tax-rate and are paid to ignore the real state of the economy.

As all individuals pay the same rate of GST, the tax burden on the most unfortunate members of our society is disproportionately large. They are subsidising the wealthy.

Battlers should pay no tax and no Government (or bank) salary should exceed \$200,000.

4: Savings

While Tax systems are generally designed so that wealthy pay tax on their savings, tax breaks ensure that little or no taxes are paid by some wealthy individuals.

Social-justice-minded public servants in some countries think they have a duty to see that Individuals or Companies do not pay Double Taxation on their savings and this may result in a zero-tax-rate for the wealthy in some countries. It is always interesting and emotional to listen to the Swiss (for example) defending their taxation system which may be a major import-earner for them.

5: General business tax issues

I addressed some business tax issues in my submission to the Senate Inquiry into Corporate Tax Avoidance, 2015. Just after the 2015 budget, with its heavy foreign influence, I asked a group of business people what the effect might be of taking another \$30B to \$40B out of the real economy and giving it to our very risky banks. The reply was that it was *a very good question* and business confidence has dropped dramatically.

See Below - **Appendix A - Title:** Inquiry into Corporate Tax Avoidance: Benefits FOR Australia

6: Small business

The activities of some large corporations provide little Benefits for Australia. For example, the big miners remove non-renewable resource as quickly and as cheaply as possible from Australia and this resource will eventually be depleted. The big miners employ small numbers of people, quite a lot of whom are fly-in / fly-out individuals who do little to enrich their communities. Much of the money from the mining-boom is sent o/s along with the mined products. Australia does little to process the ore that is mined. America has lost about 50% of their Fort Knox gold reserves in recent decades, Canada has lost all of theirs and much of Australia's gold reserves have been sold (to keep the prices low, would you believe).

The story for large banks is similar to that of the large miners.

On the other hand, small business does provide Benefit for Australia when they get the chance. They produce goods and services that provide reasonably priced Benefits to Australia.

Reducing the tax rate for small business is a good idea. Further reducing the rate for micro businesses also has a lot of merit; as such business normally cannot afford the very expensive tax deduction schemes that are available to corporate businesses in Australia or o/s.

NB: International Transparency-organisations would be concerned at such an arrangement as they may miss out on what they may regard as their entitlements.

7: Not-for-profit sector

Many large businesses have a close association with at least one Not-for-profit organisations and this may assist Corporate to reduce their tax liabilities.

Ceasing to make such deductions tax-deductible would have a major affect on the great Australian Budget Deficit debate and is strongly recommended.

Smaller Not-for-profit organisations that perform useful work would continue to pay no taxes. Generally Not-for-profits use volunteers and pay little in the way of wages and see Australia as a never-ending source of funds. Any organisation that has more than \$AUD 200,000 in assets should be required to pay taxes and a living wage to their employees.

Expenses that the Not-for-profits incur for o/s work should not be funded by donations from Australian taxpayers.

One English novelist (Oscar Wilde perhaps) has a character who paid money to a charity and the comment was "That must have been very expensive". While Colonising countries use Not-for-profits to their financial advantage, they are a major cost to the Australian economy. Charles Dickens was a great champion of reforming England's tax-funded prison system and a recent expert noted that the Dickens system was humane compared to what England and Australia have developed with our tax-dollars.

8: The Goods and Services Tax and state taxes

The GST (*God Save The*) caused disruptions in the economy of European countries when it was introduced and many countries around the world found it necessary to increase its rate soon after its introduction. No country has seriously evaluated the positive and negative effects of their GST.

When Premier Modi from India visited Australia in 2014, I advised his supporters at a mass-rally to "Stop Paying Colonial Taxes to Europe" and lawmakers in India declared that the GST could not be introduced just a few months afterwards. Pakistan, by contrast, has recently raised its GST to 17% and then increased the GST on some petroleum products to 22%. India, which has a very strong economy, wisely decided that a GST would not be an improvement, appears to have the better deal.

Australia's 1990's economy with our record Terms-of-Trade and Balance-of-Trade deficits did not need the GST that was implemented for political purposes. The struggling Liberals were told to find the "biggest, meanest gorilla in deepest, darkest Africa" as a platform for re-election (see interview Peter Reith). The result has been an unmitigated disaster as subsequent budget deficits show. More importantly, total Australian debt may exceed 3 trillion dollars when state, council, business and private debt are added up.

I recommend that we should scrap the GST, which was proposed by both Labor and Liberal PM's, as a matter of urgency. We were already collecting far too much tax and spending far too much money on unplanned and unnecessary projects for such a small population.

9: Indirect taxes

Australians pay a large number of indirect taxes. They may be called a Levy, an Administration Cost or they may be a cost that we never knew existed but we need to pay in order to get a job, buy a house or use a public service. People for o/s 'charities' are constantly begging us for money in the streets and we receive frequent phone calls from volunteer agencies that are related to Charities or the State Government, asking us to contribute to a worthy cause.

The elderly are particularly susceptible to indirect taxes and swindles. If the swindles can be stopped, they should be stopped.

Most services in Australia are amongst the most expensive in the world, with Energy being one example despite the fact that its price has fluctuated wildly recently as the sale of Poles & Wires was discussed during NSW's 2015 State Election. Australia has a massive amount of resources that produce electricity and Energy should be cheap. It is most unusual that the estimated price for Poles&Wires has fluctuated so dramatically and so frequently from \$30B to \$60B(+) and then down to \$13B.

The Thorium debate gives one reason why Energy is so expensive in Australia. I killed the 2006 Thorium proposal with a technical question at a public debate at a major university. Any year-1 Physics student should have been able to ask that question and apparently the university was so disappointed in the advice they had received that Robert Hill was moved to criticise them for dropping their courses in nuclear physics. The vice chancellor replied that they did provide such courses – perhaps there was a period when they were not promoted as actively as they had been previously. Despite this unfortunate result for the 2006 Thorium proposal, Thorium was the major Energy policy-plank for one of the major parties in the 2013 Federal election until I embarrassed the candidates from that party by repeatedly asking about their Energy policy. The Thorium saga shows why some *indirect Taxes* are so high in Australia.

10: Complexity and administration

All Australian legislation is far more complex than it needs to be and is so full of loopholes that it resembles a Swiss cheese or a Sierpinski triangle.

Michael Kirby's book "Reform the Law" should be reworked to provide a basis for reducing the complexity of working and living in Australia.

The cost of Administration should be commensurate with the benefit that a Service provides. If a Service provides only Debt, it should be scrapped. In my submission to the Senate's inquiry into Banking Competition, I wrote that Australian debt had increased from millions to billions and trillions of dollars so quickly that we may be looking at quadrillion-dollar-debt-levels within a few decades and that our debt dollars, when placed one meter apart would stretch across the Universe. Surely we can do better than this.

11: Tax system governance

11.1: Tax system governance (International)

While Australia is no longer classified as a Colony or as a Dominion, European countries still have a strong influence on the way in which Australia is governed. Recent events serve to illustrate this.

Australia has considered and implemented several international Financial Agreements such as Basel2 and is implementing Basel3. Basel4 and measures to add 1.2 Trillion dollars to the world economy were discussed in Brisbane's 2014 G20 meeting and the results have not been beneficial for Australia. By contrast, the British Government was unexpectedly re-elected and our PM needed personal support to survive in his job.

I wrote to the Basel group in Switzerland (see Appendix-A below) that it was inappropriate to even consider Basel4 before Basel3 had been implemented and evaluated and Basel4 was postponed. The situation appeared to be that David Murray's 44 Recommendations, many of which I opposed, would be re-examined after Basel4's fate was determined. I was pleased with the replies that I received from the Basel group. Why does Risk-Management, the topic for Basel's August meeting, not feature in David Murray's report?

Suddenly a newspaper report indicated that David Murray's first Recommendation had been proposed by a British organisation (probably PRA, their Prudential Regulatory Authority) and this was followed by a discussion that each of the four major Australian Banks might need to raise about \$5B each. Soon after a VIP visited Sydney at the end of their Australian tour, the NAB bank undertook to raise \$5.5B. This was then followed by a determination by Australia's PRA that the four major Australian banks should implement David Murray's first recommendation. The next step in the saga was an announcement that Australian banks may need to raise about \$30B to \$40B in order to make them Unquestionably-strong (or Unquestionably-strong *takeover targets*).

This whole episode is noteworthy for a number of reasons.

R1: The big four Australian banks produced super-optimistic results for their 2014 Stress-tests, with one super-super-optimistic bank declaring that it could withstand a once-in-a-5,000-year crisis.

R2: The assumed link between David Murray's first recommendation and Basel4, which has been put on hold, disappeared.

R3: NAB decided to implement David Murray's first recommendation before the Australian PRA made their determination.

R4: Etc. There is no science and no mathematical analysis of the financial situation that would indicate that the capital-raising would make them Unquestionably-strong.

R5: Etc. There is no science and no mathematical analysis of the financial situation that would indicate that the capital-raising would provide any Benefits for Australia. Indeed the removal of such a large amount of cash from the Australian economy may weaken the Australian business-environment and the banks. While the link between these events and the VIP's visit may again be coincidental, it is possible that they were accompanied by people who had a vested interest in the capital-raising.

11.2: Tax system governance (Australian)

There was an enormous amount of o/s interest in the Budget that has just been brought down, accompanied by a polite lack of detailed interest in Australia. This includes:

I1: Conflicting advice from the IMF, The World Bank, Brisbane's G20 Meeting, the David Murray Report and Britain's FRC (Financial Reporting Council). The FRC's recommendation about capital rising for the banks for Britain's GAAP is apparently still under consideration in Australia but does not appear to have been discussed in Parliament.

I2: The G2-'s recommendation that the price of some of Australia's major exports be halved appears to have been effective.

I3: The Senate inquiry into Corporate Tax Avoidance tried to make many strong recommendations.

I4: The Us Federal Reserve continues to advise Australia's RBA about Interest-rates and exchange-rates. I read an online report by a very influential organisation stating that Australia dropped our Interest-rates in May 2015 on the Thursday before the RBA.

I5: Commentators in the Australian media appear to struggle to work out what is happening.

The result of such heavy and non-contested advice from o/s means that any contribution from Australians into such debates is easily overlooked by Politicians.

This saga shows that Tax-governance-Systems in Australia are weak to non-existent. We tend to do what we are told and we tend to spend our tax-dollars on projects that bring little Benefit to Australia.

NB: I am very pleased with the comment my financial submissions have generated in 2015 and with some of the resulting determinations. I am at a loss to understand why Australia and America do not design and implement an effective Tax Governance System, closing down a raft of ineffectual organisations and employing moderately paid experts in a small number of organisations to do the job properly. In a similar vein, the number of banks operating in Australia should be reduced from its current high (and unknown) number to about four, as I recommended in my submission to the Inquiry into Banking Competition.

Each time Government (or budget) Debt is discussed, a host of international 101-experts comment that Australia and America should raise taxes. Instead they should avoid excessively expensive projects, with Cyclone Sandy being an example for America. I expect estimates for the current spate of storms in Texas and Mexico to top the \$50B mark as a new business model is used. Please employ Mathematicians to calculate the correct figures, saving tax-payers a king's ransom.

Appendix A - Title: Inquiry into Corporate Tax Avoidance: Benefits FOR Australia (Senate Inquiry, 2015)

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Date: 13 April, 2015

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1. Abstract: This inquiry focuses on tax avoidance and aggressive minimisation by corporations registered in Australia and multinational corporations operating in Australia.

Australia's current tax-laws are full of loopholes as red-tape is cut producing a Swiss cheese or Sierpinski Triangle effect. Tax avoidance is more common than it was three decades ago as very wealthy corporations have sophisticated strategies and wealthy individuals receive excessive pay packets. Terms such as 'transparency, accountability & integrity' need to be defined.

The broader economic impacts of this behaviour are serious as Government revenue has been under pressure in real dollar terms for decades. Acting unilaterally is almost impossible but advisable as Australia is strongly 'encouraged' to follow the lead of Basel4, London, US Federal Reserve, the IMF etc.

The capability of the Australian Taxation Office (ATO) to investigate and launch expensive litigation is diminished and may not be the most efficient way to achieve ATO's goals. ASIC and a number of agencies could be more proactive in assisting the ATO.

As the Government's White Paper process on the 'Reform of Australia's Tax System' is not a mathematically oriented document that looks at success-metrics from previous attempts at reform, it has little chance of successfully providing Benefits for Australia. The analysis appears to be

oriented towards a 1980's style of economy that operated before Cloud-computing opportunities for fraud became so prevalent.

A few recommendations follow and they are backed by a good degree of operational experience is required, despite the fact that this is a rare commodity in Australia. Some recommendations have been stated in my previous submissions and the Senate Inquiry into Banking Competition advised me to circulate my Banking Competition submission.

Recommendation-1: Consider Benefits to Australia that a good Australian-oriented Tax System could provide.

Recommendation-2: Define terms clearly, with Double-taxation, cloud-computing, information-security, data-ownership, inflation, bracket-creep, computer-virus and 'transparency, accountability & integrity' being examples. The definition of terms such as Transparency has changed and this term may refer to commercial products in this context. Preeminent philosophers such as Kant and Wittgenstein suggest that it is unwise to use words if we do not understand what they mean.

Recommendation-3: Redesign all ATO legislation in terms that Australians can understand, removing all loopholes.

Recommendation-4: Conduct a Risk Management analysis of the ATO, Australian debt and the Australian Economy, using mathematical metrics.

Recommendation-5: Review all ATO-incentives that cause bubbles, with the price of housing and the recent price of our major exports being relevant examples.

Recommendation-6: Review executive salaries and the corresponding tax returns. French Economist Thomas Piketty states that major inequalities in wealth in countries such as the USA (and perhaps Australia) are caused by the excessive pay packets major companies give their executives. The introduction of zero-tax-rates and subsidies for the super-wealthy may assist to further distort the economy.

Recommendation-7: Review the power banks in the Australian economy and their influence on tax-legislation.

Recommendation-8: Review Basel3 and 4 and any other recommendations that may impact on Australia's economy and taxation system. It is usually good business practice to analyse, implement and evaluate one set of recommendations before starting to analyse the next.

Recommendation-9: While smarter data may assist the ATO, the process of using carefully presented data to make rapid online decisions about complex situations is dangerous.

Recommendation-10: Employ Australian-born mathematicians to analyse the ATO's structure and their processes to raise standards. Accurate figures for the rate-of-inflation are essential for the ATO's attempt to manage bracket creep, thus perhaps reducing tax-rates for battlers.

Thank you for agreeing to read my hurriedly compiled submission. I have recently spent a lot of time on David Murray's Basel4 report recently and there are similarities. The day after I submitted my report on David Murray's 44 recommendations, I was informed in a national newspaper that his first and most important recommendation was based on a new British accounting standard for their

banks and may have had little to do with the good folk from Basel. An accurate definition for the concept 'transparency, accuracy and integrity' is so important in this rapidly changing world.

I take the 'royal' command that was issued when I asked "Where did our gold go?" very seriously. This command was "It's your responsibility to look after your own money". As I briefly show in this document, I have achieved some significant successes for Australia over the decades and it is possible to use my mathematical approach to generate real jobs in a real, vibrant Australian economy.

I commend The Senate and the ATO for the splendid work they do and thank them for responding to this submission.

Yours Sincerely

David Allen, B. Sc (Hons, Maths), MA (Management), technical IT-expert with a lot of operational experience in Financial Services, Transport, Education etc in Europe and Australia, independent of all political parties and lobby-groups.

2. My previous Submissions on Financial Services and Tax to Europe and to the US Federal Reserve

2.1 Submission to Europe / Switzerland

Due to an acute shortage of time (I was already 7 weeks late), I simply sent them a copy of the document I sent in December 2014 to the Financial Services Investigation, Brisbane's G20 meeting and David Murray's report. Additionally I provided the following comment:

My motto is "Benefits for Australia" and I do not believe that Basel 3 has delivered such benefits. The 2014 G20 meeting in Brisbane, Australia focused on adding more than a trillion dollars to the world economy at the expense of resource rich countries such as Australia and Brazil.

I realise that the end-date for submissions has passed but I believe it is important that an Australian perspective be represented.

Basel 3 / 4 has a very European focus. Tax avoidance is not featured as strongly as resource-rich countries would wish. Equivalent mining rights do not appear to be addressed at all. Gold, which people in Basel find particularly interesting, does not feature prominently despite the recent referendum and numerous stories of gold being stolen or transferred from one European country to another.

Notes: Beatrix Wullschleger in Basel (where they may sell watches for more than \$10,000) responded to my late European FS-submission with 3 mails (showing appreciation for Australian interest) and spontaneously registered me to attend the conference in Switzerland if I find a sponsor to pay my airfare (Benefits for Australia should be represented). Basel3 and 4 may be undergoing a remake and Rio Tinto has returned land to be part of a National Park in the Northern Territory. Beatrix wrote "Thank you for your registration for the 4th Conference on Credit Analysis and Risk Management, Basel, Switzerland; August 27-28, 2015" and Australia should be represented. A successful response to Basel 3 and 4 is of paramount importance for the ATO.

2.2 Notes to the US Federal Reserve on Inflation, sent on request in January 2015

Inflation has had different definitions and baskets-of-goods over the decades and few reflect the real economy. As an example, Australia's inflation has been roughly equivalent to that of Britain over the last few decades. When I went to London in the 1970's, wages were low and food was expensive compared to Australia's. Nowadays British wages are relatively high and food is cheap when compared to Australia's. The second example of inflation being poorly defined is provided by the price of oil as prices skyrocketed recently without affecting inflation and the corollary may hold as prices decline.

Informal colonial taxes may also affect inflation calculations. As an example the Scientific American about two decades ago stated that America had spent over one trillion dollars on their water systems and that their rivers functioned better before the first dime was spent. Australia's 'benefit' from the 2014 G20 meeting is the establishment of an infrastructure hub.

My pre-emptive G20 approach has been successful and US-media recently reported two cases of a European Government seeking to revoke diplomatic immunity in order to collect fines that relate to tax avoidance. Additionally the NY Times carried an extensive report about processes surrounding the

construction of the 4 billion dollar subway in New York. Maths may be inaccurate and international taxes may increase. Are other countries producing G20 financial services reviews? “.

Notes: It appears that reporters are now more prepared to discuss the hoarding of large amounts of money in secret bank accounts in Europe. The US Federal Reserve has a kitty of two trillion dollars as a safeguard against the next ‘global crisis’. What is the targeted kitty for Australian banks, given that some of them may have produced super-optimistic results for their stress tests? Understandably some commentators are now discussing the merits of the Basel3 / 4 approach and it appears the QE has finally ended following disclosures that the US Federal Reserve was still sending money to Brussels quite recently. I became aware of Jacques Chirac’s 2008 comment about France’s colonies in Africa and that France still collects colonial taxes. Accurate inflation figures are of paramount importance for the ATO.

2.3 Results of these two submissions

Discussions about Financial Services in the Northern Hemisphere are generally carried out with minimal Australian involvement. It is interesting to see that some discussions are becoming public and that Benefits-for-Australia may occasionally be considered. Perhaps Europe and America may need to consider real benefits to themselves more closely.

As an example, estimates by financial experts for the damage caused by Cyclone Larry in Qld were an extravagant \$30 billion. America wasted a lot of money after Cyclone Katrina and the estimate for Cyclone Sandy was \$90 Billion, while an estimate of ONE dollar may have been closer to the mark. Bob Massey came from Harvard about a month ago to inform us that the final cost of Cyclone Sandy was a staggering \$60 billion. Clearly America needs a Mathematician who provides realistic cost estimates for such events before the cash is dissipated. On the other hand, Americans are much better than we are at chasing down money that has been fritted away and we can learn from them.

Europeans are urging the rest of the world to adopt Basel4 before Basel3 has been implemented. Consequently Basel3 has never been evaluated and this is such poor business practice that business managers would be sacked if they worked for reputable organisations.

Australia’s GST almost certainly followed from a previous Basel-type agreement. The introduction of the GST (or VAT / BTW / ...) in European countries did nothing to prevent the economic ills that have befallen them, necessitating massive bailouts by other countries. Australia should be wary of discussing changes to GST-rates until due diligence has been done on our experience with the corresponding Basel concepts and agreements.

I am happy to discuss concepts in and omissions from the Terms of Reference at your convenience. Metrics and detailed analysis should be essential when discussing any potential reforms to the Australian Taxation System.

3. The Corporate Tax Avoidance Inquiry's Terms of Reference.

3.1 the adequacy of Australia's current laws

Australia's laws were compiled whilst we were still a remote European colony paying colonial taxes for services such as defence. The safeguards that were inherent in this legislation reflected the corresponding European laws. Our taxation laws were reasonably strong throughout WWI and II as we played a supporting role to some European objectives. This has changed, as Europe seeks to re-establish itself after the above disasters, and Australian safeguards are now viewed as red-tape that impede corporations from taking full advantage of emerging business opportunities (while resources last).

Removal of red-tape has left Australia's tax-legislation looking like a Swiss cheese or a Sierpinski Triangle that few people could understand. In the 1990's, Australia's taxation legislation was compared to a complex painting that an elephant created.

Motherhood statements about security, data ownership and the performance of information technology processing become meaningless as the ATO loses control of such items and perhaps its own data in an artificially created global technology-environment.

There has been so much 'Law Reform' that Australians have no idea what the Law is any more. The situation is worse in America where their burghers are bombarded with legislation with names such as The Patriots' Law that diminish security and the freedom of the individual. International Cockpit-security legislation is an example. Michael Kirby's book 'Reform the Law' should perhaps be redrafted and then applied to taxation law to provide Benefits for Australia.

3.2 any need for greater transparency to deter tax avoidance and provide assurance that all companies are complying fully with Australia's tax laws.

There is an article in a recent book by French Economist Thomas Piketty that shows how such concepts may be used to transfer money to France and to Europe as a sort of colonial tax.

The most important transparency-concept relates to the eventual home of taxes that are collected in Australia. A trace should be put on each dollar that the ATO collects to measure the speed with which it moves overseas. In nominal terms, Australia collects a very large amount of taxes. At the same time, Australia's debt-ratios are worse than those in the USA and parameters relating to Australia's very large debt have been rising unusually quickly during the two decades of the mining boom with its record terms-of-trade figures.

3.3 the broader economic impacts of this behaviour, beyond the direct effect on government revenue

Government budgets are now in a perpetual deficit-situation, similar to that in the USA. While current budget-deficits are not at disaster levels, an efficiently operating ATO, together with ASIC, the Australian PRA and several other organisations that are paid handsomely to ensure that Australia's economy functions in an ethical and efficient way, would perhaps have sought to keep much of this money in Australia.

The challenge would then be to ensure that this money is used for ethical purposes that benefit Australia rather than for jailing far too many Australians for actions that much of the world may consider to be minor misdemeanours. The result is that we are using far too much of our tax-money to create a criminal class and jails in some states are again bursting at the seams.

A second example that shows that we may use tax-breaks and some tax-money inappropriately may be provided by the way that information technology is used in the Education system in some schools. April 2015's Popular Science reports, using data from Marc Goodman's 'Future Crimes', that the non-Google-indexed Deep Web which reportedly pushes drugs, weapons, counterfeit currency etc may be 500 times as large as the surface web that most people access. A 2004 FBI survey may support this conclusion. A 2003 report from India indicates that, while about 2% of credit card transactions occur on the internet, these transactions account for about 50% of India's credit card fraud. Tax-money may be used to expose some students in some schools to the internet crime-world when this money could be used to give them the skills that transformed Bill Gates and Mark Zuckerberg into billionaires.

3.4 the opportunities to collaborate internationally and/or act unilaterally to address the problem

'The problem' may be assumed to be that the ATO is not functioning efficiently and is not collecting taxes fairly. Despite the pressure that organisations such as the IMF, the World Bank, the US Federal Reserve, the Basel committee, the G20 and the British Government bring to bear on the Australian Government and on the ATO, it is possible for Australia to redraft some of its legislation in a way that may benefit Australia.

A second best option may be to collaborate with resource-rich sister countries such as Brazil and Canada and draft metrically-oriented legislation that is in our interests rather than in the interests of resource-poor countries.

A third option may be to copy the legislation of a very wealthy country and allow them to defend it against the transparency-countries.

History shows that the option of trying to please six or seven international organisations results in a debt-ridden failure. Australia's preferred option may be to act unilaterally to address as many components of 'the problem' as possible, relying on international bodies such as the OECD as a last resort.

According to the NY Times in 2015, some countries accept the legitimacy of pyramid structures and that it may take about a year to unravel the source of large amounts of money that are flowing into America's property market. This is an area in which international cooperation may be beneficial to Australia, as we would not wish to duplicate work that has already been done.

3.5 the performance and capability of the Australian Taxation Office (ATO) to investigate and launch litigation, in the wake of drastic budget cuts to staffing numbers

Generally the ATO tends to negotiate rather than to investigate. This reflects the fact that taxation law is so complex and unwieldy that a wealthy entity with a large team of reasonably intelligent lawyers can make litigation too expensive to contemplate. While acknowledging the fact that most corporations in Australia pay their taxes on what may be assumed to be a voluntary basis, some may

choose to fight pay no taxes, with James Hardy being a recent example of resorting to a Dutch / Irish gambit. I have referred to this unfortunate and expensive event a few times and it is possible that poorly defined terms may be used to induce other Australian companies to follow JHX's example and so try to minimise their taxes.

3.6 the role and performance of the Australian Securities and Investments Commission in working with corporations and supporting the ATO to protect public revenue

Fraud has featured prominently in the media in recent months, with several agencies reporting a win after being tapped on the shoulder. ASIC will report crime and a few organisations are concerned about cartels.

Many organisations such as ASIC, the Australian PRA, religious organisations and the federal police are paid handsomely to support the ATO. Unfortunately their roles are not as clearly defined as one would wish, with some areas that overlap and some areas that may perhaps not be covered at all. A restructured group of ATO-helpers could be of enormous benefit to Australia.

3.7 any relevant recommendations or issues arising from the Government's White Paper process on the 'Reform of Australia's Tax System'

Australia's Tax System was drafted by Europeans and has been 'reformed' many times and some of these reforms have been absolutely essential.

However many of the reforms that have been wished on Australia have perhaps delivered little or no benefit. Indeed, if one were to compare the amount of tax that is collected in Australia as a percentage of our GDP to equivalent ratios from previous decades, the mathematical conclusion would almost certainly be that we would have been better off without most of these reforms.

Indeed such a comparison should be made before any further attempt is made to reform the Australian Tax System. Did HIH receive tax benefits that, in hindsight, were inappropriate? Were Queenslanders given tax incentives to rebuild in flood-plains after Cyclone Larry? Are tax-incentives provided to assist people to 'develop' what once were Australia's ultra-fertile river plains?

Were tax incentives applied to stimulate the discovery of more gold after we sold a substantial part of our reserves in the 1990's "to bring the price down"? Why would we want to bring the price of a major export product down, especially when subsequent price-hikes showed we had absolutely no control over the world market? Did Canada implement similar schemes after their gold reserves were sold?

This document's main recommendation is to use Australian-born Mathematicians to adopt a mathematically-oriented approach to reforming Australia's Taxation System. In the interim, any alterations that are made should be made with caution after consultation with the people of Australia, as large corporate organisations may have far too much influence on the way the Australian Tax System is developing.

I recommend that the White Paper on Taxation and proposed changes to the GST be shelved until Australians know in mathematical terms what the current system does and how it delivers Benefits for Australia. I acknowledge the splendid work the ATO does in a very complex international setting.

My other recommendations are summarised in the Abstract-section of this submission.

3.8 any other related matters

Additionally I wrote to Brisbane's G20 that Australia should not sell our export products as quickly and as cheaply as possible and this was a successful letter. I have expressed this opinion in subsequent and previous submissions and it is difficult to understand why the ATO was reportedly subsidising exploration for new mineral deposits when over-production was causing a glut on the world market.

Generally, it is not beneficial for the Australian Economy for the banks to have such a large percentage of Australia's cash and the legislation that protects them is too powerful. On the other hand, the legislation that protects Australians has been white-anted in a Sierpinski Triangle process that leaves this legislation looking like a Swiss cheese. There may be too many agencies that are paid handsomely to ensure that the corporate organisations pay their taxes and deliver Benefits to Australia and the Swiss cheese approach means that some aspects are not controlled at all.

The Basel agreements should be redrafted to reflect the interests of resource-rich countries rather than just the interests of resource-poor powers. I am pleased Australia is starting to talk to sister countries such as Brazil and Canada. Additionally the US Federal Reserve is under pressure for several issues, with the alleged money laundering of \$141.2B to Brussels being an example that has been widely reported. Colin Barnett has questioned the competency of people running our major corporations and I have been asking the same question for several years.

The main weakness of the Terms of Reference may be the lack of emphasis on Risk Management, which is unusual as Risk Management features in the title of the Basel Conference in August. As people seem to be agreeing that Stress Testing is unlikely to be effective, I **recommend** that Australian Mathematicians conduct a Risk Management exercise, showing the Strengths and Weaknesses of Australia's major corporate players and thus of Australia's economy. Our debt levels seem to imply that we have simply squandered much of the wealth that the mining boom was meant to bring to this nation.

*****End of Response, Many Thanks, David Allen B. Sc (Hons, MA (Management)) *****