

A theory for Tax Reform to help Australian Business

Replacing the GST with a new value added tax with a sliding scale based on the Australian content of the Product or Service.

Phase One.

This stage could be implemented this term.

What If every invoice and receipt had on it the dollar amount and percentage of the money spent that remained in Australia. (Call this percentage the Aussie Content Factor [Aussie Factor for short]) then for a business to calculate their own Aussie Content Factor would become extremely simple.

Also lots of benefits to the community could occur. Read on...

The effect of this is that consumers would now know where their money was going. The new system replaces the other buy Australian schemes with the actual information required. If I buy this how much of my money remains in Australia.

What's more companies would be out to improve their Aussie Content Factor. There by placing **real** pressure on them to favour high Aussie Content Factor products for their inputs.

I can here you thinking (or at least big business is) what a nightmare. But really **if every invoice or receipt contained Aussie Content Factor information**, then calculating my Aussie Content Factor becomes a relatively simple matter. Add up all expenses in two columns one for Aussie the other for foreign. Then add my profit to the correct column. Divided as to the ratio of my company share holdings Aussie/foreign (see Appendix) This I then include this on my invoices Etc.

Obviously you would require a phase in period during which time best estimates would suffice, before the legal requirements become binding. The Taxation Department should have authority to police the system and checking for cheats, the reason for this will become obvious latter (phase two)

I am not a large concern but my accounting software (\$175 worth) already handles a myriad of tax outcomes, mostly automatically, and provides a report of the amount to be remitted in GST. I am sure that the software industry will soon have programs up for the new system.

If you were further concerned for small business then you may provide them with an out. Say businesses with a turnover less than \$300,000 could opt out of the paper work and assume an Aussie Content Factor of say 45%. Or whatever the industry average for their business is less 20%.

The paper work required to be kept for substantiation purposes of Aussie Content is exactly the same piece of paper which is required to be kept for income tax purposes, except with one new figure on it, the Aussie Content Factor of the product or service

Phase Two

What if GST was replaced by a Value Added type Tax but levied according to the product/services Aussie Content Factor What say we call this Aussie Factor Tax. For example companies who had a 0% Aussie Content Factor (all money leaving Australia) would have to charge 20% Aussie Factor Tax (AFT), those with 100% Aussie Content Factor might only charge 0% Aussie Factor Tax to their customers. A sliding scale for in between Aussie factors; Say 0.5% increase in AFT per 5% decrease in Aussie Content Factor from 100% to 50% Aussie Content Factor, thence 1.5% increase in AFT for 50% to 0% Aussie Content Factor.(see proposed Aussie Factor Tax Rates)

Then a 20% Aussie Content Factor product would pay 14% AFT

A product with an Aussie Content Factor of 80% pays only 2% AFT.

The effect of this on companies is even more profound. We all want to be patriotic and buy Australian but up to now there has not been much real incentive.

Now instead of Ford *Australia* buying the bolts from Hong Kong they would consider purchasing the ones made in Geelong; because it would raise their Aussie Content Factor and reduce their Aussie Factor Tax burden.

At the retail level companies such as Coles Myer would be given a real incentive to stock goods with high Aussie Content Factors. There by reducing their "Cost of Goods Sold" (see Bob's Retail Report) on their Profit and Loss, this increases their own Aussie Content Factor. Again lower AFT for them to pay.

At the Board Room level companies such as Mitsubishi *Australia* would be given real incentive to float on the Australian Stock Market, in an effort to increase their Australian Shareholders. Again increasing their Aussie Content Factor This would have a great effect on national savings.

Another advantage of the Aussie Factor Tax system is the fact that Research and Development conducted in Australia, would have the effect of lifting a company's Aussie Content Factor. This gives companies good incentive to conduct or increase their R&D in Australia, in a effort to reduce their Aussie Factor Tax burden. Foreign multinationals would consider moving some of their overseas R&D to Australia to boost their Aussie Content Factor. They would be, and should be, rewarded for this with a lower Aussie Factor Tax rate.

Implementation

During the phase in period for the Aussie Factor system companies would be able to provide best estimates, as to the Aussie Content Factor of their service or product. Aussie Factor Tax NOT introduced at this stage

Manufactured or Imported products will be the easiest to estimate, because if you are importing bolts for resale then the only thing lifting your Aussie Content Factor from 0% is your own profit and wages etc. (All easy to estimate)

If you manufacture an item solely from Australian inputs such as Milk your products Aussie Content Factor will only be reduced from 100% by a few items, also easy to estimate.

Therefore the manufacturing/Importing sector should be required to provide the Aussie Factor information first.

Following this the wholesale sector has to follow suit, now armed with a guide as to what their products Aussie Factor is (provided from the manufacturer).

Then Retail and finally the Service sector.

By then everybody would be providing everybody else with Aussie Factor information, and calculations would be easy to do.

After a period the system would settle down and very accurate Aussie Factors would be achieved. What's more they would not vary much for each individual business or products, and easy to calculate, because all your suppliers would be giving you their Aussie Content information..

Larger companies would be required to keep their information up to date monthly using a 12 Month moving average. Medium business would be required to update their Aussie Content Factor Quarterly again using a 4 Quarter Moving Average, and small businesses could use last years completed figures to determine this year's Aussie Content Factor (probably prepared by the company's accountant at the same time as their Income tax return)

Perhaps a 5% margin in Aussie Content Factor could be allowed during the period. If their Aussie Content Factor varied by more than 5% they could recalculate. I don't see this as a problem as a 12 month period for averaging would tend to even out any bumps.

Once the Aussie Factor information has been in the economic system for two years the Aussie Content Factors will have become accurate, then the Aussie Factor Tax could be introduced. Along with the abolishment of Sales Tax, Import Duty's and Income Tax (or at least reduced in line [or better] with the revenue raised from AFT. Over all the tax payers of Australia should benefit not the public sector)

Tariffs don't work. Retail, wholesale and service sectors don't really care if they sell Australian Goods, as long as they make a profit they are happy. But under the Aussie Factor Tax system they will be looking after their own interests by looking after the interest of Australia Pty Ltd, by purchasing Australian goods to lower their own Aussie Content Factor. This is kind of a better, fairer Active Tariff because it applies to everybody. Not just those with a powerful political lobby.

The Taxation Department should have authority to police the system and checking for cheats; both in the avoidance of Aussie Factor Tax and the calculation of the products Aussie Content Factor.

The same substantiation law should be used and simular penalties to Income tax fraud applied.

Day to day Operation

The Aussie Factor Tax (AFT) would be implemented in a similar fashion to the implementation of a GST. Where by the calculation of GST occurs separate and prior to the calculation of income for the purposes of Income Tax.

Like GST, AFT requires additional paper work. Unlike GST, AFT requires two levels. The first is the same as GST where business pay AFT on the products they use for their business and then add a margin and charge their customers AFT. (Unlike GST the AFT rate will vary as the product moves around the economy) The business then remits the difference between AFT paid to AFT charged to the Taxation Department, in the same way as GST.

The second level only really concerns business users (it is of parotic interest as well) It requires the calculation of an Aussie Content Factor for their products or services, expressed as a percentage. This percentage would be used by other businesses using the product for profit, to calculate their own Aussie Content Factor (Amount of money staying in Australia) and therefore the Rate of AFT they apply to their products or services.

Aussie Content Factor calculations would occur in a parallel fashion to the Profit and Loss calculations, required for Income Tax assessment, and like Income Tax calculations would occur separate to and after the consideration of AFT.

Every expense claimed as an Income Tax deduction is used in the calculation of Aussie Content Factor.

I believe that this calculation would require very little impost on business as the Income Tax calculations are already being conducted and the addition of Aussie Content Factor calculations would only require one additional figure, (the Aussie Content Factor) to produce a report.

At the Manufacturing / Import distribution Level

Once a product is made or imported a sticker would be required to be affixed.

I see compulsorily stickers on products similar to the triangular ones now used for "*Australian made*" except showing the products Aussie Content Factor.

They could be Green and Gold for 100% Aussie and Red for 0% Aussie; and a combination representing the percentage for in between Aussie Content Factors. eg 75% Red area and the other 25% Green and Gold for a 25% Aussie Factor.

(The Red area should be at the top of the triangle because visually the foreign area would look larger; this would give an advantage to a high Aussie sticker.

At the Wholesale / Retail Level

Consumers in a store could choose which products to purchase based on the Aussie Content Factor Sticker on the product.

As the product is paid for the store calculates its own Aussie Factor Tax (based on the stores/product Aussie Factor) and applies that to the product, in a similar way to GST. A receipt or invoice showing either, the total Aussie Amount in dollars or the new Aussie Content Factor as a percentage for each product, or both is provide to customers. (See examples)

The store would display a larger Aussie Factor sticker at the entrance to the store so their customers could compare retail outlets. If the consumer is using the product as an input for their own business or for resale, then in a similar way to the substantiation Laws for income tax, they would have to keep the receipt or invoice showing the Aussie Content Factor Information.

Summary

Step one:

Introduce honesty in accounting for Businesses. Requiring them to declare to their customers how much of the money spent on their product remains in Australia.

Step two:

Introduce a value added type tax, with a sliding scale, weighted towards products with high Aussie Content Factors

The lower Aussie Factor Tax Rate, for high Aussie Content Factors, can easily be justified because, if you consider the fact that money remaining in Australia attracts additional Tax (Income and AFT) when the Australian citizen receiving the money spends it again. (This happens many many times over and over, as money goes around and around).

BUT if the money goes over seas then the Australian Government benefits ONLY ONCE. Therefore the Tax Rate should be higher.

Advantages

Consumers would have information displayed so they could, if they felt parotie, favour high Aussie Content Factor products

Companies come under pressure to increase their Aussie Content Factor, with resultant benefits for the Australian economy.

Businesses could increase their Aussie Content Factor by:-

- Purchasing High Aussie Factor products for their business inputs.
- Reduce purchases of Low Aussie Content Factor (imported) products.
- Increasing their Australian share holders
- Increasing Australian Research and Development
- Paying their Australian Workers more money.
- Put on more Australian Workers

Australian owned businesses could also increase their Aussie Content Factor by:-

- Investing in new capital equipment
- Increase their retained earnings
- Increase dividends to shareholders (if mainly Australian)
- Paying off Debt

Catches foreign company profits in the Australian Tax System

Achieves what Import duty's promised but did not deliver.

Encourages businesses in the productive direction (trying to reduce AFT as above)

Increases Australian Savings (Companies reduce debt, above)

Improves Balance of Trade (Companies buy high Aussie Content Factor inputs, above)

Increases employment

Increases profitability of Australian businesses

Imports reduced - import replacement encouraged

Improves Australian Standard of Living

All the usual GST advantages still apply.

- Shifts Taxation from Income to Spending.
- Catches the Cash Economy.
- Etc...

Disadvantages

As with GST the paper work burden on business would be increased. The main increase relates to the previously undealt with system of Aussie Factor Tax (Value Added Tax) The actual Aussie Content Factor information, would blend in with current Profit and Loss accounting standards.

Introducing a Value Added Tax is a bit like putting a cocaine addict onto heroin. It would provide the bureaucrats with a very large new tax base. Australia is already greatly over taxed, why do you think business is doing it tough. Even if the income tax rates were reduced, an inefficient greedy public sector would soon be giving arguments why both Aussie Factor Tax and Income Tax should be increased. (Remember bracket creep) Then Australia would be further in trouble.

There is an argument that foreign investment would be reduced. This argument fails to take into account the broader effects of the system, by simply assuming that all foreign companies products are 0% Aussie Content Factor.

If a foreign company does a lot of good for Australia (spending their money here) then their Aussie Content Factor will increase, and Aussie Factor Tax will then decrease. But if they are doing nothing for Australia, 0% Aussie Content Factor, then why do we want them here at all. They should well be paying 20% AFT!!!

Are the supporters of foreign investment saying that an overseas company should pay less tax than an Australian Citizen?

Some foreign companies may shut down in Australia, leaving a hole that would need to be filled. An imported product would attract 20% AFT. An Australian (owned/manufactured) equivalent would have a much higher Aussie Content Factor, therefore lower AFT, so should have a good chance of getting up in the void.

Because the Aussie Content Factor varies and so to the rate of Aussie Factor Tax, consumers would not be easily able to estimate the price of goods. This is easily overcome by advertng all prices including AFT.

All the usual GST disadvantages still apply.

- Increasing the price of the product does not always increase the profit. Leaving the business to pay the short fall, as GST
- As prices goes up demand goes down. Slowing the economy.
- Some sectors are incapable of passing on a price rise.
- Etc Etc Etc.....

Side Effects

As people attempt to avoid Aussie Factor Tax, by the methods detailed in advantages, they stimulate the Australian economy, increasing economic activity. They may reduce their own AFT burden but because they have spent the money in Australia, they have in effect increased the revenue to the government; Because Australians who also pay Tax have benefited.

The Aussie Factor Tax system actually has positive side effects

Best regards

Gary Biggs

Appendix to the Aussie Factor Tax theory.

Proposed Aussie Factor Tax Rates

Aussie Content Factor	Aussie Factor Tax Rate
0%	20%
5%	18.5%
10%	17%
15%	15.5%
20%	14%
25%	12.5%
30%	11%
35%	9.5%
40%	8%
45%	6.5%
50%	5%
55%	4.5%
60%	4%
65%	3.5%
70%	3%
75%	2.5%
80%	2%
85%	1.5%
90%	1%
95%	0.5%
100%	0% (Good sales pitch 0%)

Example - Manufacturing/Importing Sector

Aussie Factor report Oct '96 - Aug '97 - Summary in 1000's
(Monthly Moving Average)

	Aussie Factor	Aussie Amount	Total	% of Total
Ordinary Income/Expense				
Income				
Coffee Importation			120,000	60%
Tea Production			80,000	40%
Total Income			200,000	100%
Expenses				
Direct Costs of Production				
Coffee Importation	5%	3,000	60,000	
Tea Production	67%	20,000	30,000	
Total			90,000	
Company Expenses				
Administration	93%	2,281	2,453	
Bank Fees	66%	558	846	
Electricity	92%	1,265	1,375	
Freight	65%	118	182	
Repairs and Maintenance	79%	1,138	1,441	
Rent	96%	3,555	3,703	
Total Company Expenses	89%	8,916	10,000	
Total Expenses			100,000	
Profit			100,000	
Aussie Content Factors				
Coffee				
Cost of Production	5%	3,000	60,000	
% of Company Expenses	89%	5,350	6,000	60%
% of Company Profit	25%	15,000	60,000	60%
Total Aussie Factor - Coffee	19%	23,350	126,000	
Tea				
Cost of Production	67%	20,000	30,000	
% of Company Expenses	89%	3,566	4,000	40%
% of Company Profit	25%	10,000	40,000	40%
Total Aussie Factor - Tea	45%	33,566	74,000	

Note. This business has 25% of its shares in Australian hands. That's why the "% of Company profit" Aussie Content Factor is 25%.

The final Aussie Content Factor in the box is what the business uses to determine the Aussie Factor Tax Rate that they add to the cost of their products

(15.5% AFT for Coffee and 6.5% AFT for Tea)

The price of Coffee is $\$2.50 \times 15.5\% = \0.39 AFT

This information is then shown on any Invoices or Receipts provided to customers

(See Gaza's Wholesale Invoice below)

Also seeing as this is a manufactured or imported product, a sticker is required to be affixed to the product (see proposed Aussie Factor stickers below)

Example - Retail Sector (Bob's Retail)

Aussie Factor report Jul '96 - Jun '97

	Aussie Factor	Aussie Amount	Total
Ordinary Income/Expense			
Income			
Sales			300,000.00
Total Income			300,000.00
Expense			
Automobile Expense	66%	1,136.52	1,722.00
Bond Expense	87%	469.80	540
Cleaning	98%	1,960.00	2,000.00
Freight & Delivery	87%	226.20	260
Fuel	56%	1,008.00	1,800.00
Franchise Fees	0%	0.00	50,000.00
Insurance	72%	1,282.57	1,781.35
Interest Expense	66%	251.46	381
Cost of Goods sold	39%	55,276.09	141,733.57
Payroll Expenses	100%	37,798.65	37,798.65
Rent	88%	9,034.96	10,267.00
Telephone	94%	1,112.96	1,184.00
Utilities	94%	500.48	532.43
Total Expense	44%	110,057.70	250,000.00
Profit	100%	50,000.00	50,000.00
Company Aussie Factor	<div>53%</div>	160,057.70	300,000.00

	Oz.Factor	Oz.Amt	Total
New Aussie Content Factor			
Tea			
Purchase Price inc AFT			\$2.67
Less AFT paid 28c			\$0.17
Purchase Price	45%	\$1.12	\$2.50
Add Margin	53%	\$0.45	\$0.84
New Sale Price	<div>47%</div>	\$1.57	\$3.34
Add AFT (Now 10%)			\$0.22
Sale Price inc AFT			\$3.56
AFT to pay ATO			\$0.05

Note. This business is 100% owned by Australia Citizens. That's why the profit Aussie Factor is 100%.

The Aussie Content Factor in the top box is the Company Aussie Factor that is applied to the margin added to products sold, to determine the products new Aussie Content Factor. Which then is used to determine Aussie Factor Tax (6.5% in this example) to be added to the product.

AFT to remit to ATO = AFT charged to Customers - AFT paid on Inputs
ie \$0.22 charged - \$0.17 Paid = \$0.05 to pay to the Taxation Department on the sale of the Tea. (remitted in the same manner as with a GST)

Under the AFT system they also check the Aussie Factor information as well.

Enter purchase price (P.Price), items Aussie Content Factor (Oz %) , our markup and the spreadsheet calculates the rest of the information.

[illegible]

More examples of Retail Price Calculations.

(Stocking low Aussie Factor goods vs. high Aussie Factor goods)

As you can see if this business sells more low Aussie Content Factor products, then their Company Aussie Factor suffers

The Aussie Factor reflecting “Cost of Goods Sold” on their Profit and Loss (Aussie Factor report) changes to reflect the lower Aussie Content of their goods for sale. This in turn drags down their overall Company Aussie Factor. (15% used below as an example)

Note the Sale Price including AFT [S.Price(aft)] has increased.

Price Calculations					Company Aussie Factor 15%					
	P.Price	AFT Paid	Oz %	Marku p	S.Price	Oz %	Oz Amt	Aft charge	S.Price(aft)	Pay ATO
Tea	\$2.67	\$ 0.17	45%	25%	\$3.34	37%	\$1.25	\$ 0.33	\$ 3.67	\$ 0.16
Coffee	\$2.89	\$ 0.39	19%	15%	\$3.32	18%	\$0.60	\$ 0.52	\$ 3.84	\$ 0.13
Milk	\$1.24	\$ 0.01	99%	15%	\$1.43	87%	\$1.25	\$ 0.03	\$ 1.46	\$ 0.02
Bread	\$1.00	\$ 0.01	95%	10%	\$1.10	87%	\$0.96	\$ 0.02	\$ 1.12	\$ 0.01
					\$ -	####	\$ -		\$ -	\$ -
					\$ -	####	\$ -		\$ -	\$ -

If on the other hand they decide to purchase higher Aussie Content Factor goods to stock in their store. The Aussie Factor reflecting “Cost of Goods Sold” on the Aussie Factor report will improve, raising the overall company Aussie Factor.

Note that they can now retail products at a lower price. Coffee drops 69c, because of its own better Aussie Content Factor and the improvement in the Companies Aussie Factor.

Price Calculations					Company Aussie Factor 60%					
	P.Price	AFT Paid	Oz %	Marku p	S.Price	Oz %	Oz Amt	Aft charge	S.Price(aft)	Pay ATO
Tea	\$2.67	\$ 0.17	45%	25%	\$3.34	49%	\$1.63	\$ 0.22	\$ 3.56	\$ 0.05
Coffee	\$2.62	\$ 0.13	55%	15%	\$3.01	56%	\$1.68	\$ 0.14	\$ 3.15	\$ 0.01
Milk	\$1.24	\$ 0.01	99%	15%	\$1.43	94%	\$1.34	\$ 0.02	\$ 1.45	\$ 0.01
Bread	\$1.00	\$ 0.01	95%	10%	\$1.10	92%	\$1.01	\$ 0.02	\$ 1.12	\$ 0.01
					\$ -	####	\$ -		\$ -	\$ -
					\$ -	####	\$ -		\$ -	\$ -

The price calculations above demonstrate the beneficial effects of the Aussie Factor Tax system. All business people are very aware of this kind of information in the day to day running of their enterprise. They would clearly see the benefits to their business by acting in a manner that helps Australia as a whole. The business operator could now choose to reduce the price of this coffee, in an effort to be cheaper than his competitor who had not taken Aussie Factor correct decisions.

This is a small business and as such is allowed to use this method of determining Aussie Content Factors for their goods. Larger companies would be required to use more detailed calculations. Dividing the company expenses separately to the direct cost of the product and proportioning the company expenses to the products, as to the rate of income derived from each product. See Manufacturing/Importing sector example above. In that example 60% of the company income came from coffee, therefore 60% of the company expenses (expenses not related directly to coffee production) were allocated to coffee.

Example of a Cash Book

Transaction Detail - Staff Amenities 1/7/96 through 30/6/97

Date	Num	Payee	Memo	X-Acc	Clr	Total	AFT	Amount	Aust%
Staff Amenities									
28/7/96	1589	Bobs Retail	Coffee & Tea	Video	*	\$7.30	\$0.64	\$6.66	34%
23/12/96	2007	Freds Cake shop	X-Mas Party	Video	*	\$28.66	\$2.12	\$26.54	44%
1/9/97	2262	Coles	Toilet Paper	Video	*	\$25.94	\$3.48	\$22.46	19%
3/9/97	2265	Coles	Washing Towel	Video	*	\$23.25	\$0.79	\$22.46	65%
Total Staff Amenities						\$85.15	\$7.03	\$78.12	42%

This example shows how the Aussie Content Factor information will blend in with the existing accounting methods and standards. Without significant additional bookkeeping load on businesses. As you can see above, the "Transaction Detail" ledger is identical to the ones being used now. The only non GST difference being the "Aust %" figure (The Aussie Content Factor of the product or service) the AFT and Amount columns would be software calculated. Each expense is entered in the ledger in the same way as always. The Aussie Content Factor information is then simply read off the receipt, provided by the person who provided the goods or service being claimed as a tax deduction. (See sample receipt from Bob's Retail below) and entered in the column "Aust %"

The paper work required to be kept for substantiation purposes of Aussie Content is exactly the same piece of paper which is required to be kept for Income Tax purposes, except with one more figure on it, the Aussie Content Factor of the product or service.

A Critic who had not thought through the Aussie Factor Tax system might say that the system is too complex, and therefore require too many public servants to police and administer it. Using the same bookkeeping methods and practises, and information trail as exists now. Makes the Aussie Factor system simple and safe. The addition of the Aussie Content Factor calculation fits right into our existing system.

The Aussie Factor calculations would hardly even be noticed using a computer bookkeeping program, who doesn't use one these days? But even a hand written Cash Book requires only one additional column Aussie Amount to complete the Aussie Content Factor calculations.

Staff Amenities Ledger - 1/7/96 through 30/6/97

Date	No.	Payee	Description	Cross Account	Amount	Aust %	Aust Amt
28/7/96	1589	Bobs Retail	Coffee & Tea	Video Trendz	\$6.66	34%	\$2.26
23/12/96	2007	Freds Cake shop	X-Mas Party	Video Trendz	\$26.54	44%	\$11.68
1/9/97	2262	Coles	Toilet Paper	Video Trendz	\$22.46	19%	\$4.27
3/9/97	2265	Coles	Washing Towel	Video Trendz	\$22.46	65%	\$14.60
Total					\$78.12	42%	\$32.81

The total of the ledger is transferred to the Profit and Loss report in the same manner as applies under existing bookkeeping methods. From this it is a simple matter to generate a Aussie Factor report. Showing our Aussie Content Factor which we pass on to our customers, on invoices, receipts, etc. (See Video Shop example above)

Example of an Aussie Factor Tax Reports

These reports are the same as the reports required for a GST. They could be calculated by a computer bookkeeping program from the information entered above.

Video Shop - AFT Summary - Month to Date							
Type	Date	Num	Payee	Memo	Cross Account	Total	AFT
Deposit	1/9/97				Video Income	\$568.00	\$11.36
Deposit	2/9/97				Video Income	\$789.25	\$15.79
Deposit	3/9/97				Video Income	\$1,026.55	\$20.53
Deposit	4/9/97				Video Income	\$236.50	\$4.73
Deposit	5/9/97				Video Income	\$365.95	\$7.32
Deposit	6/9/97				Video Income	\$235.60	\$4.71
Total AFT Collected							\$64.44
Cheque	1/9/97	2262	Coles	Toilet Paper	Staff Amenities	\$25.94	\$3.48
Cheque	3/9/97	2265	Coles	Washing Towel	Staff Amenities	\$23.25	\$0.79
Cheque	4/9/97	2266	Warner Brothers		Movie Purchases	\$236.80	\$11.84
Cheque	4/9/97	2267	Telstra		Phone	\$456.00	\$4.56
Total AFT Credits							\$20.67
AFT to Pay ATO							\$43.77

This business has a high Aussie Content Factor (80%). So is rewarded by only having to charge its customers 2% Aussie Factor Tax.

This compares with our next example.(below) In this example Coffee has a Aussie Content Factor of only 19% so AFT is 15.5%. Tea is better at 45% Aussie Content so AFT is 6.5% Note the difference in AFT between Coffee and Tea Sales on the 2/9/97 Deposit...

Do you think that looking at these figures every day might convince the owners of this company to grow Coffee in Australia?

This raises another point, Tax payer resentment towards AFT will be lower than other forms of taxation because if a company has to pay a high rate of AFT it is their fault.

Gaza's Whole Sale - AFT Summary - Month to Date							
Type	Date	Num	Payee	Memo	Cross Account	Total	AFT
Deposit	1/9/97				Coffee Sales	\$2,687.00	\$416.49
	1/9/97				Tea Sales	\$1,687.95	\$109.72
Deposit	2/9/97				Coffee Sales	\$1,500.00	\$232.50
	2/9/97				Tea Sales	\$1,500.00	\$97.50
Total AFT Collected							\$856.20
Cheque	1/9/97	4587	Northpower		Electricity	\$256.00	\$2.56
Cheque	1/9/97	4588	McPhee	Coffee	Freight	\$158.56	\$5.55
Cheque	1/9/97	4589	Landlord		Rent	\$1,265.00	\$6.33
Cheque	1/9/97	4590	NAB		Bank Fees	\$356.25	\$12.47
Cheque	1/9/97	4591	Aust Customs		Coffee Import	\$1,000.00	\$200.00
Total AFT Credits							\$226.91
AFT to Pay ATO							\$629.29

The last Cheque raises an interesting point. If the Australian Customs did not charge the AFT at the wharf. This company would not be able to claim the credit. Therefore they would have to pay the extra \$200 in AFT direct to the Australian Tax Office (ATO). This has implications for the custom service. They could be freed from policing the import duty & sales Tax systems.

Example - Service Industry - Video Shop

Aussie Factor report Jul '96 - Jun '97

	Aussie Factor	Aussie Amount	Foreign Amount	Total
Ordinary Income/Expense				
Income				
Video Shop	100%	190268.86	0.00	190,268.86
Other Income	100%	9731.14	0.00	9,731.14
Total Income	100%	200000.00	0.00	200,000.00
Expenses				
Accountancy Fees	93%	913.26	68.74	982
Advertising	78%	1511.17	426.23	1,937.40
Bank Fees	66%	5838.68	3,007.80	8,846.48
Donations	100%	100.00	0.00	100
Electricity	92%	1265.00	110.00	1,375.00
Freight	65%	118.30	63.70	182
Video Games for rental	22%	393.57	1,395.40	1,788.97
Internet Access	77%	363.13	108.47	471.6
Meals whilst Travelling	17%	9.61	46.94	56.55
Movie Purchases	53%	30410.97	26,968.22	57,379.19
Plant & Equipment < \$300	43%	340.97	451.98	792.95
Telephone	61%	2456.34	1,570.45	4,026.79
Postage & Stationary	43%	1686.88	2,236.09	3,922.97
preview Movies	39%	59.51	93.09	152.6
Repairs and Maintenance	79%	1528.81	406.39	1,935.20
Rent	96%	35551.17	1,481.30	37,032.47
Security	46%	355.38	417.18	772.56
Staff Amenities	42%	32.81	45.31	78.12
Stock for Resale	71%	2482.48	1,013.97	3,496.45
Subscriptions	91%	897.35	88.75	986.1
Wages	100%	23684.60	0.00	23,684.60
Total Expenses	73%	110000.00	40000.00	150,000.00
Profit	100%	50,000.00	0.00	50,000.00
Aussie Content Factor	<div>80%</div>	160000.00	40000.00	200000.00

Note. This business is 100% owned by Australia Citizens. That's why the profit Aussie Content Factor is 100%.

The final Aussie Content Factor in the box is what the business uses to determine the Aussie Factor Tax Rate that they charge their customers (2% in this example). It is calculated by adding the Total Expense Aussie Amount and the Profit Aussie Amount, then deriving this by Total Income (Displayed as a percentage).
If video prices are \$6.00 then AFT equals $\$6.00 \times 2\% = \0.12

You will notice that this report is very similar to an existing Profit and Loss report. This is only natural because it is obtained from the same information. The only real change apart for the layout is the addition of the Aussie Content Factor information and final "bottom line" calculation of the Aussie Content Factor.