TRANSACTION TAX

INTRODUCTION

1. The current federal tax system is far too complex
2. The ever increasing amount spent for online purchase less than $1000 per item results in ever decreasing GST revenue - & it's too costly to impose & scrutinise GST collection on these items

THE TRANSACTION TAX SYSTEM (SIMPLIFIED)

1. A 4% (say) tax on every monetary transaction – no exception
2. For example: transfer of wages from employer to employee; payments for groceries etc; all repayments onto credit cards; all payments for items purchased online; transfer of funds from a transaction bank account to a term deposit account; all payments by cash, cheque, credit card, debit card, etc

IMPACTS

1. Gov't must pay all benefits from consolidated revenue – visible budget allocations
2. No annual tax return
3. Much reduced ATO size
4. No unproductive tax accountant/tax lawyers & support staff
5. Catch all online purchase/sales
6. No difficulty as currently experienced in determining which items are subject to GST
7. Large reduction in size of the 'black market' – it's just not worth it at 4%
8. Encourages vertical integration to minimise tax
9. Reduction in State/Territory taxes – negotiable
10. Simplified accounting requirements
11. Politicians are able to promise grants, payments, reduction in the transaction tax rate etc – all from budget

PROBLEMS

1. Politicians will want exceptions to gain votes
2. Substantial legislation required
3. Need to have transitional arrangements – eg: adequate notice to enable IT developments; industrial arrangements; calculation of the required tax rate; public education arrangements; lobby groups; - but transitional arrangements are feasible
4. Increased auditing of: individuals; corporations; 'not for profit' organisations.

Cdbstock

April 2015

TRANSACTION TAX - INDIVIDUALS – EXAMPLES

LOW INCOME

Assumptions:

- Employer pays wage into a bank account & other pay deductions into other accounts
- Employee spends 90% of wage on essentials & entertainment
- Employee saves 10% of wage
- Employee invests all saving

Tax paid:

- 4%*100% of wage paid by employer to employee
- 4%*90% of wage spent by employee on essentials etc
- 4%*10% of wage saved by employee
- 4%*dividends – assumed as 5% pa - (0.04*0.05*0.1*wage)
- Total tax paid by employee=wage *12.1%

MID INCOME

Assumptions

- 100% salary etc paid by employer into employee's bank account
- Employee spends 80% salary etc on 'essentials' & entertainment
- Employee saves 20% salary etc
- Employee invests all saving

Tax Paid:

- 4%*100% of salary etc paid by employer to employee
- 4%*80% of salary etc spent by employee on 'essentials' & entertainment
- 4%* 20% of salary etc saved by employee
- 4% dividends – assumed as 5% pa – (0.04*0.05*0.2*salary etc)
- Total tax paid by employee=salary etc*8%

HIGH INCOME

Assumptions:

- 100% salary etc paid by employer to employee
- Employee spends 50% salary etc on 'essentials' & entertainment
- Employee saves 50% salary etc
- Employee invests all saving

Tax Paid:

- 4%*100% of salary etc
- 4%*50% salary etc spent on 'essentials' & entertainment
- 4%*50% of salary etc saved
- 4% dividends – assumed as 5% pa – (0.04*0.05*0.5*salary etc)
- Total tax paid by employee=salary etc*16.1%