

PROSPER AUSTRALIA – REVENUE SYSTEMS

Sources of Revenue

Public finance (revenue) in Australia is currently collected by all levels of government (local, state & federal), using a range of mechanisms. Sometimes these taxes are direct, in that we know we are paying them, and sometimes indirect, in that we do not because the tax is hidden in the price we pay for goods & services.

The major federal taxes are income tax and sales tax, and others include tariffs (duties payable on imports), excises (on certain inland goods such as alcohol & tobacco) and financial institutions duties (on monetary transactions). It is proposed to commence a Goods & Services Tax [“GST”] which will lower income tax and replace sales tax.

The major state taxes are payroll tax (upon businesses employing more than minimal staff), fuel levies and Land Tax. Local government collects revenue by rates, sometimes levied against the improved value of sites (e.g. in most of Victoria), and sometimes against their unimproved value (e.g. throughout NSW and Queensland).

Current Federal Taxes

Prosper Australia is opposed to all these forms of taxation. Income tax steals the fruits of labour, penalizes effort, is expensive to administer, is easy to avoid, and involves complex legislation which even the High Court cannot interpret without deep divisions. Sales Tax, Stamp Duties and financial institutions duties are arbitrary, lacking any useful economic rationale, and are just a clogging constraint upon freedom of transactions. Tariffs increase the cost of imported goods and so punish consumers: whilst they may protect a domestic industry, the price is not worth it. Excises have some rationale (e.g. smokers are forced to contribute to their own health care) but this approach is haphazard and there are better alternatives.

Current State Taxes & Local Rates

Payroll tax discourages employment, which is ridiculous when so many are unemployed. Land tax is more appropriate, but it does not apply to the full range of ‘sites’, all sorts of improper caps, thresholds, exemptions etc. apply and the rate of taxation is arbitrarily set by governments. Local rates are a proper source of revenue when applied to the unimproved capital value of sites, but at present not nearly enough of the site revenue is collected and rates are supplemented by federal funding. Rates levied against improved site values inhibit & constrain folk bothering to improve their sites (with buildings, orchards etc.).

Goods and Services Tax

The proposed GST will remedy some of the abuses caused by easy avoidance of income tax (using company, trust & offshore structures and the like), but it is far from an optimum solution. It will increase the cost of all goods and services, since transactions involving them will have a taxation element. This increase will hurt people on low incomes most since the GST will be unavoidable on all but basic foodstuffs, and these people will get no benefit from income tax reductions. The rich will get richer and the poor will become poorer under a GST. The true underlying economic & environmental abuse, that is the private pocketing of community-created site values, is not addressed.

Site Revenue Proper and Unavoidable

Only Site Revenue has a solid basis in logic and is unavoidable. Sites (on land or water, in the air or wavelengths etc.) are essential for economic activity, and they were not made by humans. Society grants to individuals exclusive rights over sites (to use them as homes, shops, farms, mines etc.), and the rental-value of those sites is the only proper source of public finance to fund government. Note that only the rental-value of the bare site is collected, with improvements to it being disregarded, and that the free market sets that value, not government. Individuals can retain freehold title to their sites, or else hold them under lease. Sites, and the value of them, cannot be hidden and payment of Site Revenue cannot be avoided.

Site Adequacy of Site Revenue

Would Site Revenue be adequate to pay for the needs of a modern government? This question must be answered in the light of the benefits expected to flow from collecting Site Revenue. It is to be expected that the economy would boom, enhancing site values, creating employment and minimizing rich-poor gap. There would be much less need for a welfare state, especially in a context where co-operative communities are formed to facilitate local self-support networks. The size & cost of the public service and the crime rate would diminish. Many other current government expenditures, caused by the complexity inadequacy & imbalance of our existing system, would disappear. Specialist studies are available analysing likely the value of present & future site revenues, but the quantum of and need for them is largely speculative. Logically, Site Revenue both reflects and creates the entire value of public infrastructure: we need not look further. That is the proper size of the cake, and governments must “tailor their cut to the cloth available”.