



A MODEST MEMBER

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How to end that national sport of tax avoidance

Eccles says that I have been side-stepping for far too long the unpleasant task of examining our taxation system. So here goes, but I don't expect it will do anything except get me into hot water.

The first thing I am going to do is to admit that there ought to be some kind of capital tax, at least, while our income tax laws remain as they are. There is only one reason for this statement — there are so many ways of avoiding income tax that you really need a capital tax to gather some of the money that clever sods have successfully avoided paying.

That there is a lot of tax avoidance is both known and natural. Old Fred doesn't now pay any income tax at all for the very good reason that he doesn't have an income.

But in the good old days when there was money in farming, it didn't take the old boy long to think of ways, legal and — well, almost legal, for avoiding income tax.

He had a natural advantage over the income tax man as he spent a lot of time on the tractor where he had both the time and the incentive to think out really good schemes. People often make the mistake of thinking that Fred is as simple as he seems.

We all know that there are many respectable ways of avoiding paying income tax. You can, if you are a city business man, buy farming land, clear the scrub from it, sell it at a profit and pay no tax on the profit. Or you used to be able to when people wanted to buy it.

Another good way of getting a non-taxable income is to buy shares and receive bonus issues. Or you can buy land and have the government build a road through it (with the taxpayers' money) with the result that you don't have to pay income tax on the increased income which other taxpayers have put into your pocket.

But there are comparatively simple systems. The really clever people, with a lot of income to make it really worthwhile to buy expert taxation brains, have got the most magnificent schemes. Avoiding income tax is said to be one of our chief national sports.

No one thinks it is wrong — we are only acutely envious of people who find another hole in the legislation.

But it is really a bit hard on the wage and salary earner who can't avoid anything much.

These people are inclined to sneer rather cynically when you tell them how sorry you are that you have to pay so much income tax. They have a shrewd idea that they wouldn't have to pay nearly as much if other people paid their proper share.

And there is something hopeless about thinking that you can block up all the holes in the tax legislation. I suppose it is a grim indictment of our modern civilisation that the best brains in the country are devoted to avoiding income taxation rather than producing income.

You are kidding yourself if you think, while income tax tends upwards all the time, that people suddenly are going to be different and are going to welcome parting with large lumps of their money to other people. You also know that if one bolt hole is closed off with new laws, some sod with a sharp nose will sniff out a weakness in the new legislation, and then away go the shrewd ones out through the new hole.

So to catch some of the wealth that slips, legally or illegally, through the income tax gatherer's fingers, there ought to be some kind of capital tax. I know everyone will hate me for saying this.

There is another comparatively unimportant reason for reluctantly agreeing to this proposition. After all, the more money gathered in by a capital tax, the less income tax will have to be paid, and so the less steep the progression in the income tax scale will need to be.

But there we are, landed with a capital tax, with votes going out the window in a steady stream — and Mavis crying quietly in the background.

But there is one thing about which I am certain, that is, that the death duties tax, the chief capital tax used by the States and the Commonwealth, is about the worst form of capital tax you could use. I will tell you why next week.