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EDITORIAL 121

CASE NOTE – *Gina Lazanas and Robyn Thomas*

AP Group: No questions of law raised on appeal 122

ARTICLES

Balancing the books and getting more GST: A comparative study – *John Davison*

This article examines some recent comments in the press, by accountancy firms and public policy think tanks regarding Australia's structural deficit. Although Australia has a better financial position than many other countries, it is argued that the deficit is increasing and that Australia's current tax system contributes to this problem. The article examines the contentions of these various bodies and compares Australia's position with its major international competitors. The article then examines Australia's tax system and compares it with these major competitors. Australia depends to a greater degree than these other countries on corporation tax and obtains a relatively low proportion of its tax revenues from taxes on goods and services. The proposition is made that the tax system and security of revenue can be imported by changing the tax system to change this emphasis from corporate tax to goods and services taxes; in the case of Australia, Goods and Services Tax (GST). Various ways raising extra GST revenue are considered, such as improving compliance, removing reliefs, taxing online transactions, broadening the base and increasing the rate. It is believed that the first three of these options will not raise significant revenue and resolve the structural problem. There may, however, be strong arguments for each of these. For example, taxing online transactions and improving compliance ensures that the tax is borne equally by all those engaged in economic activity. In addition, the removal of reliefs, such as the property margin scheme, would remove an administrative burden and problematic area. This may be a good enough reason for removing the relief. The two major areas where extra revenue can be gained is if the base is broadened or the rate is increased. It is suggested that \$13 billion can be raised by either broadening the base by taxing fresh food, health, education, sewerage and child care or increasing the rate is increased to 13%; even if 10% of the extra revenue is returned to consumers through increased social security payments. Despite this it would be expected that there may be considerable public hostility to any suggested increases. The article then reviews some of the considerable difficulties that would arise through these changes. It would, for example, be necessary to introduce transitional reliefs for these changes, but the major problems would be political. There would be the difficulty in obtaining agreement from all the States and Territories as required by cll 32 to 36 of the Intergovernmental Agreement on the Reform of Commonwealth State Financial Relations 1999. As most of the GST is returned to the States and Territories it would be thought that their agreement could be obtained, but political issues are never straight forward. Whilst it would appear both sensible and logical for there to be a change in emphasis from corporate tax to GST, it will be a difficult change to make and it is suggested that it will not happen unless there is sufficient political will. 135

