



# Progress

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## OUR PHILOSOPHY

**We believe** that the Earth is the birthright of ALL MANKIND.

**We recognise** that for many purposes it is essential for individuals to have exclusive possession and security of tenure of land AS GIVEN BY THE EXISTING FREEHOLD SYSTEM OF LAND TENURE.

**We believe** that those who have exclusive possession of land should COMPENSATE SOCIETY for being excluded therefrom.

**We believe** that such compensation paid annually would meet the costs of Government and permit Society to abolish all taxes on LABOUR and on goods produced by labour.

## THE CONSUMPTION TAX

Tax Reform Australia is not alone in attacking this proposed impost. Eric Rissstrom, National Director of the Australian Taxpayers' Association, had a stinging attack on it in "The Age" of July 15. Some excerpts follow:

"Remember New Zealanders, who faced two years later not only a 25 per cent hike in their new-fangled indirect tax, but income tax increases as well.

I believe that for most people, a consumption tax would be an incredible personal cost, some of it partly hidden. There would be no economic windfall to help people weather the financial drought.

Three years ago most academics and many in big business supported a goods and services tax (GST). Today a large number recognise the serious problems. Many admit the arguments for a GST are not always based on fact, and some now see it as downright dangerous.

You and I know that, when it comes to taxation, there is no Father Christmas. Business people sniffing the wind for possible benefits have not calculated what a GST would do to their customers and employees.

They have not started to think through the flow-on effect on wages and overheads like payroll tax, super fund contributions, workers' compensation and inflation.

But if they are lucky and can stay in business: why worry? Because, with a value-added type tax, it is the customer who picks up the tab for all the tax and costs."

**The CPI effect:** Those setting the tax say that there would be an initial once-off adjustment of prices, with only a temporary effect on the CPI. Like hell it would be temporary.

Some politicians concede that, in the first year of a GST, the increased cost of goods and services could push the CPI to around 17 per cent. But they argue that the effect would quickly go away. Let us hope they admit that simply is not true.

Politicians and economists compare last year's increase with this year's increase. The truth can be found only by comparing prices then with prices now. Once prices have gone up, they might level out, but they do not revert to the old and lower level.

**What would be taxable?** The Opposition says there is about a seven per cent indirect tax charge in prices now. That is not true for most people because about 75 per cent of what most people spend their money on is not subject to sales tax now. There is no tax now on food, clothing, medical and dental expenses, health insurance premiums, fares, telephone, electricity, gas, school fees, house rent and home purchase.

All those essentials would be taxed. Tax on probably everything except superannuation and financial transactions. In their eyes, the system is unfair if everything is not taxed.

National Party Leader, Mr. Wal Murray (N.S.W.) has rejected as "political lunacy" the commitment by the Federal National Party Leader to a consumption tax. ("Canberra Times", 22/6/91).

Early in July "The Australian" published an opinion poll showing that

60% of Australians were against the idea.

And on July 2 the same newspaper published a devastating attack by Senator Peter Walsh. Some excerpts follow:

The Liberal Party's major problem with its VAT proposal will not be its highly suspect basic rationale but the specific decisions it makes on what will be included or excluded from the VAT base, and how it will defend those decisions — if it ever gets around to making them. If it doesn't make specific decisions soon, it will be in even more trouble. Here is a far from exhaustive list of the specifics they will have to settle:

- Private school fees. If these are not exempt from VAT there will be a huge backlash, especially from Catholics. If they are exempt the Opposition can explain why pensioners should pay 15 per cent tax on groceries while paper entrepreneurs pay nothing for Geelong Grammar fees. Rather than me.

### INSIDE:

- The Greening of Georgism
- U.S. Georgist visits Soviet Union
- Dates for your Diaries

(See Back Page)

If your kids live at home, you pay VAT on their food, bedding, etc. which you avoid if you send them away. Alternatively you pay VAT on the hostel fee, including the charge for the labour component of board which at home would be provided by their mother (usually) free of tax. And at a private boarding school how will the board and tuition components be separated in a way that cannot be rorted?

- Private health insurance. Many of the pros and cons relevant to this also apply to school fees. I will not repeat them. However, there is the additional problem of doctors' fees, with or without private insurance. Would all doctors' fees be exempt or only some? For example, setting a broken arm to be exempt, a face-lift not. Likewise, dentists' bills. And pharmaceuticals.
- Funerals and graveyard monuments. There can be no doubt that conceptually this is consumption expenditure. Would it be fully taxed, taxed beyond some limit or not taxed at all?, as a colleague, Senator Maguire, said recently. He can already see the bumper sticker, "People are Dying to Pay Consumption Tax".
- Wedding receptions. Again unquestionably consumption expenditure which should be fully taxed under a VAT regime. If an exemption is allowed, will it be capped at a couple of thousand dollars or will weddings like that provided for Alan Bond's daughter a few years ago – replete with floating dance floor, orchids flown in from Holland and 5,000 bottles of imported champagne – be fully exempt?
- Transport and entertainment. These are consumption items. Will there be a 15 per cent surcharge on bus fares? Will executives driving company (or government) cars avoid it? Will there be a 15 per cent surcharge for the footy and the races? Will the toffs who are in corporate boxes at no cost to themselves avoid the surcharge paid by people in the outer?
- Rent, household insurance, car insurance, electricity and water charges, local government rates. In a pure tax regime about which the Opposition talks, all must be taxed. But will they?"

However, newspapers do not seem to publish the radical alternative, viz. revenue from site values.

#### **ERRATA – AUGUST 1991**

Page 1, Col. 1, Para 5 should read:  
"basic cause" of poverty . . .