MORE REFLECTIONS ON THE TAX SUMMIT

By Roland Staub

The Government's draft white paper on tax reform, as outlined in its official guide thereto, appears to be calculated to steer public debate away from reality. It admits to a big problem of tax avoidance and evasion, but fails to face up to the fundamental question of what can and should be claimed as public revenue by an honest government.

There is no moral basis for taxing either income from honest labour or the social benefit of exchanging bona fide goods and services.

The Government's problem cannot be solved by its approach to tax reform. Mr. Keating's preferred consumption tax is a broadside attack on the citizen's freedom to trade. It would quickly spawn myriad evasions and require an army of government officials to police it and catch offenders. Our tax system would end up in even greater disrepute, further reducing social cohesion.

One of the listed options, of little effectiveness, is styled "a moderate capital gains tax"*. This tax, which would be "inflation adjusted", shows the Government at its most incompetent. This strange proposal may well be a deliberate blind to forestall any meaningful change in government revenue.

Unearned capital gains derive from the ever-rising land values in the vitally important real estate sector of the economy. These gains do not represent production or service — they represent claims on available production, a sort of private tax. Hence they are the true source of inflation. They work through the entire economic system to manifest as price rises in the shops, as well as higher rents and bigger mortgages. Capital gains for some are the unjust losses of others.

The billions of dollars evaded and avoided through the present tax system could be collected, and inflation stopped at its source, by the gradual re-introduction of a federal land tax. This is the only realistic way to tax reform, and to collecting capital gains for the Treasury.

To adjust a capital gains tax for inflation, as the white paper suggests, is in effect to deduct inflation from inflation. The man billed as "the world's greatest Treasurer", Mr. Keating, would, of course, collect next to nothing from it.

A genuine capital gains tax, via the land value tax, collecting the publicly rather than privately created values that arise in the economy for the public treasury would enable real reductions in income and sales taxes.

* This would be an inflation adjusted, and would not apply to the taxpayer's own income. Only real gains made after the date of the introduction of the tax would be affected, and the tax would only be paid on the disposal of the asset.

CORRIGENDA

In Roland Staub's article in the April issue, the dates of Henry George's life should read 1839-1897.

In the May issue, under the report on name changes for the League, Roland Staub did recommend retaining the present name, but the remark "Each State would have its own name with Georgist Council as umbrella" was made by someone else.

ADVERTISING CAMPAIGN

Advertisements were placed in "The Age" and "The Australian" at the time of the tax summit early in July. As a result, 110 responses were received, including some from overseas! Literature was sent to all respondents.