

Good afternoon Leonie.

I was interested in recent comments on the “inefficiencies” of certain state taxes.

Rather than simply aiming to remove the duty on residential homes, a broader approach to state tax reform is required which I believe would increase efficiency significantly while reducing distortion.

A former State Treasurer described Payroll Tax, Transfer Duty and Land Taxes as the three ugly sisters. While the Land Tax is a relatively efficient and effective form of taxation, it raises only a small percentage of the state’s revenue and currently has a limited base.

In order to remove Payroll Tax and Transfer Duty, the state must find other ways to fill the significant void left behind.

For some time, I have been advocating that a “state income tax” be considered. This has largely fallen on deaf ears for two main reasons. The first is that many people have claimed that it is unconstitutional. I am not a lawyer but my research has suggested that this is not the case. The states (temporarily) gave up their state income tax rights during the Second World War in return for grants from the Commonwealth. This has now morphed into the Grants Commission.

If people are serious about state tax reform, this option should be given full legal consideration to see if it could work.

The second barrier is that old chestnut, political will. How this can be overcome, I’m not sure but if the push gets strong enough, it can happen.

Obviously this is a complex issue that cannot be addressed in one short email but if you have any interest in further discussion, please let me know.

Kind regards

Tony INCE

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