A WEEKLY COMMENTARY

ON TARGET

• NEWS HIGHLIGHTS
• BACKGROUND INFORMATION
• COMMONWEALTH AFFAIRS

The price of Freedom is eternal vigilance –

Print Post Publication Number 381667 00258

Vol.36, No.9 March 10th, 2000

THOUGHT FOR THE WEEK: *"In the 1930's, Australia's sugar cane crop was being destroyed by the greyback beetle. Authorities decided to release a sack load of the Hawaiian Buto Marinus into the canefields. They would deal with the greyback beetle. They would eat them up.*

"But the solution was not well thought out. It turned out to be worse than the problem. The Buto Marinus ate everything except the greyback beetle. Why? The greyback beetle can fly. And Buto can't. So began the Queensland cane toad disaster . . ."

"The Cane Toad Republic" by David Flint

BANKRUPTCIES by Jeremy Lee:

We have written recently on the continuing number of farmers leaving the land. What about small businesses? Clara Pirani, writing in ***The Australian*** (21/2/2000) included the following in her article:

" ....The Australian Securites & Investments Commission says in the nine months to September 1999, 5,877 companies became insolvent ...."

That's an average 27 a day through the nine months! And the GST hasn't even started! But then, you see, as Paul Kelly described it: *"The 1990s have delivered a prosperity and peace rare in our history ...."*

LABOR SPLIT: It looks as though there is a growing element within the ALP that has woken up to the disaster of 'free trade' and globalism. ***The Australian Financial Review*** (18/2/2000) reported:

"A brawl is looming for the Labor Party over the direction of trade policy, with key members within its Left faction pushing for a windback of the free trade agenda.

"One of the most powerful figures in the labour movement, Mr. Doug Cameron, has lashed out at the

ALP's economic direction and called on the Opposition Leader, Mr. Kim Beazley to 'wake up to the turning tide of public opinion against free trade' ...."

Mr. Beazley has to consider the source of his Party's funds, where the donations from the big corporations would soon dry up if he started talking 'anti-globalism'. He would also face the wrath of the Murdoch media. If the Labor Party turned its back on the globalist policies of Howard and Anderson, and began to reinstate the policies of traditional Labor leaders like John Curtin – starting with the re-establishment of a 'peoples' bank – Beazley would be crucified by the media. But it might spark a chord of sympathy in the electorate.

MALAYSIA BOOMS: Manufacturing sales increased by 16.5 percent in Malaysia last year. In December, manufacturing sales were 30 percent higher than the corresponding month a year earlier. The country recorded a trade surplus of $M72.3 billion. ***The Australian*** (23/2/00) added:

"....Analysts said manufacturing sales were being driven by electronics, which were highly competitive in overseas markets because of the pegged exchange rate for the ringgit, which is seen to be undervalued. Manufacturers also benefited from an increase in domestic sales as Malaysia's economy picked up after the 1998 recession. The Government has raised its estimate for growth in gross domestic product this year from 5 percent to 6 percent. Analysts agree this figure is attainable and some economists are predicting a greater expansion ...."

CHICKENS COMING HOME TO ROOST: Another global talkfest has just concluded in Bangkok – this time a United Nations Trade And Development (UNCTAD) conference attended by 160 nations. It featured a desperate demand by Third World Nations for unlimited access to markets in the developed world, in order to earn enough money to pay their (unpayable) debts.

But the Trilateral powers – the US, Europe and Japan – who have strutted the world talking about the virtues of free trade don't like it when it includes them. The thought of anger in their domestic economies if even more cheap Third World goods appear on their shelves has shocked them. So the Third World countries gained none of their requests. It will all have to wait until the next WTO conference.

FUEL PRICE-HIKES: The painful increases in the price of petrol, which threaten to reach $1 a litre by mid-year, are, we are told, due to the "world increase in the price of oil".

The Australian Financial Review (22/2/2000) made this point:

" ....Australia is more or less self-sufficient in oil. But for the most part, the generally high-quality oil produced here is exported and we import lower-value crude. This deregulated market works in the interest of all the players and will continue to do so as long as Australia remains self-sufficient.

"The player with the biggest financial stake is the Commonwealth Government. Should a company discover oil, it is allowed to sell the oil on the world market. But after allowing for production costs and a reasonable return, a substantial part of the difference between production costs and the world price flows to the Commonwealth as part of the rent resource tax (RRT).

"Thus, as the world oil price rises, the big winner is the Treasury. The cost is borne by the motorist at the pump who, via the refiners, uses OPEC oil bought at the world price......

"Maybe the Treasurer, Peter Costello, could give some of the windfall back to the motorist by lowering fuel excise, which stands at 45 cents a litre. This would have the additional advantage of eliminating the inflationary effects of rising oil prices at a time when inflation is already here ..."

<u>**BENDIGO BANK:**</u> Bendigo Bank's half-year-to-December profits grew by 30 percent. Giving reasons for the success, chairman Richard Guy included its Community Bank project. Bendigo's shares went up accordingly.

Which just goes to show what liars the "gang-of-four" are. They say the closure of bank branches is because of the need for efficiency. How come Bendigo, then, can not only move in when the 'gang-of-four' move out, but make an immediate profit?

The Australian Financial Review (15/2/2000) said:

" ....The decision to acquire the IOOF Building Society and expansion of the community banking network to 19 branches were key drivers of the bank's liability business, with total deposits rising 8 percent to $4.1 billion in the half year ...."

<u>**THE EVIL GENERAL SERVICES TAX**</u> by Betty Luks:

Jeremy Lee reported to readers of the League's ***Intelligence Survey*** in December, 1999, just what was planned for Australian citizens through the 'taxation reforms'. His source at the time was Alan Kohler's feature article in the ***Australian Financial Review*** 27-28/11/99, headed "Why Business Will Never be the Same Again." Kohler warned that the Howard Government had handed weaponry to the Australian Tax Office that tax collectors everywhere can only dream about. Because Australia is the last Western country to introduce a GST, this government had the benefit of drawing on the experiences of these other countries to ensure they got it right... from their point of view. It is worth quoting parts of that article again. The implications are only just starting to sink in for so many Australians.

<u>**THE CONNECTED SERIES OF REFORMS:**</u> Not only is it becoming clear that revenue estimates have been vastly underestimated, according to Alan Kohler, "The unique integrated design of the Australian tax system that will arise out of the Howard Government's **connected series of reforms** – GST/Ralph/Option2, all passed by means of a shifting series of political, business and community alliances and deals – will mean that the tax reform whole will be greater than the sum of its parts. <u>As a result, future governments will be awash with revenue</u>."

Not only will future governments be awash with revenue, but every business will be manacled to the tax machine. It seems that "between Howard's 1997 GST conversion and the so-called ANTS paper (A New Tax System) in August 1998, Treasury and Tax officials took hold of the process and turned it into something much more than just a goods and services tax."

The key section of the ANTS paper is called "Reform to tax administration" and particular attention should be drawn to the following paragraph, "The GST, the alignment of business tax payments, the establishment of the ABN and the new withholding arrangements will, together, result in more timely receipt of better information and a more comprehensive matching capability for the Tax Office to act upon. The level of integration of the GST into the tax system as a whole will be a key feature of the Government's approach."

The quarterly activity statement that gets fed into the Tax Office Computer contains everything...GST, income tax, fringe benefits tax, salary and wages, group tax... The key to it, the thing that puts every Australian business on a short leash from the Tax Office, is the Australian Business Number and an innocuous-sounding thing called a 'tax invoice'.

The tax invoice is a little recognised cornerstone of the system. It's the glue that holds the whole thing together. The GST, ABN and Tax Invoice combine to operate as both a carrot and a stick. Every business will pay 10 percent GST on virtually everything it buys. To claim that back against the 10 percent GST on the things it sells, it must produce an invoice that quotes an Australian Business Number (ABN) and is headed "Tax Invoice". The stick is that business customers are required to withhold 48.5 percent of the sale price (the top marginal rate) if a Tax Invoice quoting an ABN is not produced by their suppliers.

PUNISHMENT TAX FOR TARDY BUSINESSES: In the ***Weekend Australian***, 26-27/2/2000, Peter Costello is warning the 2 million businesses (out of an estimated 2.5 million) that have not as yet registered for the new tax that he is going to wield the big stick specially designed to punish their 'tardiness' if they don't do so 'pronto'. And that big stick is the Tax Invoice 48.5 percent punitive withholding tax.

'ENTITY' TAXATION: The next move comes when the GST is 'bedded down' and Australian businesses are 'wriggling on the tax fly-paper'. Taxpayers will then have to deal with 'entity' taxation (or taxing trusts as companies) and Option 2. It is predicted that from July 1st, 2001, the 80-90 percent of Australia's small businesses that are operated through trusts will be wiped out by the 'entity taxation'.

Option 2 is a fundamental change to the method of calculating income tax. Instead of assessable income minus allowable deductions, each of which is now defined by thousands of pages of legislation and whole libraries of case law, the new system will simply tax changes in the tax value of assets including bank balances. This would have to mean that the Tax Office could pry into your bank affairs.

As Frank Starcevick of Dardanup wrote to the editor of the ***West Australian*** newspaper (published in ***OT*** Bulletin), "We are not going to cop this attempt to dispossess us of our children's heritage."

"ON TARGET" is printed and published by The Australian League of Rights, 145 Russell St., Melbourne.
Postal Address: GPO Box 1052J, Melbourne, 3001. Telephone: (03) 9650 9749, Fax: (03) 9650 9368.
Subscription $40.00 p.a.