



A WEEKLY COMMENTARY

ON TARGET

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The price of Freedom is eternal vigilance –

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THOUGHT FOR THE WEEK: *"It must not be supposed, because we have no more royal tyranny, that we have disposed of the tyrant forever. The will-to-power still lurks in many breasts. I well remember that a very prominent Australian said in 1944 some words to the effect that people could not expect complete freedom after the War. It would be necessary for some individual to be given the right to say what was best for the community. Who was he? No less than Dr. Coombs, and now thirty years later he is one of the mentors of the present Prime Minister, Mr. Whitlam. In 1942, the late Dr. H.V. Evatt, speaking in Federal Parliament on a proposed amendment to the Constitution (rejected at the polls in 1944) said:*

"I desire to make it perfectly clear that the constitutional amendment I propose will give the decision to Parliament itself and no person will be able to challenge the validity of Parliament's decision."

"The Foundations of Liberty" by Rev. Arthur Fellows, Th.L.

GROWING GST WOES by Jeremy Lee:

As the Australian Tax Office – now beset with its biggest-ever internal scandal – pushes towards GST 'D-Day', the coming injustices float to the surface like dead fish in a polluted river. Since fraud charges have been laid against a former high-ranking ATO official, Nick Petroulias, it appears that other officers have been issuing 'private rulings' to taxpayers, on which assessments have been based. In other words, such officials have made judgements interpreting the virtually impossible-to-understand Taxation Act, and put the stamp-of-approval on subsequent tax returns.

It has mostly been large corporations with access to this "green-light" service; Mr. Average Australia has had to go through the usual format with the likelihood of tax-audit at some time.

The Australian Financial Review (29/3/2000) said of the charge revelations:

"... Tax experts said the system was inherently flawed and the Federal Opposition called for a major independent review of the ATO practice of issuing private rulings to taxpayers on its interpretation of the tax law As the backlash intensified, it emerged that other tax officers, including high-ranking officers, signed off on similar rulings to those issued by Petroulias over many years"

With its reputation in tatters, and its attention diverted to dealing with the massive ramifications of the Petroulias affair, the ATO is hardly in a position to remedy the massive backlog of administration required for the coming GST.

DEAD FISH RISING: Under the heading "GST 'KNOWLEDGE GAP' IS RISING" *The Australian* (27/3/2000) reported:

"Anyone making crucial GST decisions based on advice from their accountant could be making a big mistake.

"But it's not just accountants who are at risk. Other advisers are under pressure because of a GST knowledge gap.

*"Numerous accountants surveyed by **The Australian** admitted they were unable to give clients answers because the tax office had not given clear guidelines.*

"Experts warn that many advisers are exposed to legal action and potential big losses for giving wrong advice. Chartered accountant firm Panel Kerr Forster is alerting everyone from lawyers to accountants to real estate agents that they are terribly exposed if they fail to advise their clients properly on the GST.

"Advisers who neglect to do appropriate due diligence and give correct advice could find themselves subject to expensive and time-consuming litigation' GST specialist Bruce Thomas with accounting firm William Buck says there are still countless areas where giving the right advice is impossible because the tax office is giving conflicting rulings. He cited the case of deposits. 'On page 28 of the ATO's Travel and Tourism booklet the example provided is at odds with what the tax office has been telling tourism operators in their seminars.'

"In this example, someone putting a deposit down for some rooms at a motel paid \$550 but GST was not to be paid until the settling of the final account. Now we're being told the GST is due on the full amount when the deposit is initially made,' Mr Thomas said. 'It's impossible to plan and advise for the GST if you don't have the answers in black and white,' he said 'I hardly have time to keep up with the tax office publications, but I have to. However, the suburban accountant has got Buckley's.'"

If this is what Mr. Costello means by "making the tax-system simpler", then Heaven help us! In another *Australian* article (27/3) Robert Gottliebson pointed out that there will be a substantial fall in the number of taxis operating after June 30th, with surveys showing the number of drivers will fall by 20 to 25 percent. Taxis have been excluded from the "below \$50,000" exemption on ABN numbers.

TRAVEL INDUSTRY DISASTER: We have received the following personal story from Phillip Butler – well known to us as Eric's son – another example of the vicious effects of the GST:

"The Howard Government has always stated it was the 'friend' of small Australian businesses. You don't have to be a mathematical genius to realise that John Howard and Peter Costello march to the tune of the globalist economy.

"My wife and I operate an independent travel agency – just fortunate that we are involved in the 'group and special interest' areas of the industry – a 'niche' market. However, it is becoming quite obvious to anyone in this industry that ultimately it will be the independents who will be squeezed out.

*"The industry publication **Travel Week Australia** (15/3/00) shows clearly how one sector – mainly family-operated companies – will be slaughtered by the GST. ('Sydney-based MAUS Business Systems has warned the travel industry that bankruptcies could soar in the wake of the GST.')*

"They stated that when the GST was introduced into New Zealand (New Zealand Ministry of Commerce figures) business bankruptcies doubled in four years. Canadian business bankruptcies increased by 46.5% in the four years post-GST.

"I can certainly appreciate that. Our family business, as our accountant states, is currently simple regarding paper-work:

- (1) We receipt all in-coming monies – using one of those blue generic receipt-books.*
- (2) Funds are placed into our Trust Account – which is audited to the satisfaction of the Travel Compensation Fund, the Australian Securities Commission and, of course, the Australian Taxation folk.*
- (3) We pay out of our Trust Fund all necessary payments to our travel suppliers.*
- (4) Any profit – i.e. commissions earned – are then passed on to our holding company, out of which we pay salaries, printing, computer services, etc.*

"As my accountant says, 'Very simple accounting required.' In other words, our receipt book and our cheque book do the required accounting.

"Under the new regime we will have to:

- (1) Claim back GST on services and products never taxed before, and file a tax return every three months.*
- (2) Have to hire a person to do the accounting – which also means placing a new accounting programme on our computers. The Federal Government, magnanimously, is giving us back \$200 out of our taxes, to be claimed off our costs. The programme will cost \$375, and the programmer to install it \$25 an hour with the same amount for further service costs; plus all the other employee costs – 6% superannuation, Workers' Compensation etc.*

"And it goes on from there!

"Denmark commenced with a VAT (GST) of 10% – now 25%. Canada commenced with a Capital Gains Tax of 0.1% in the 70s - now 10%!

"Certainly – businesses can hold onto the GST they collect for 3 months; however, it will be Big Business which reaps the reward because of its massive turnover, while small businesses will have the problems.

"Little stores – such as milk-bars, fish-and-chip shops – and small specialist stores are going to have to comply with the regulations. Unless they have a bar-code reader-machine – at least \$10,000 per pop – they will have no hope of complying with GST, regardless of 'cooked chook' or fresh chook.

"Small business will be the lamb led to the slaughter. But the biggest slaughter will come when the next Federal election is held. Like Canada, it is a 'conservative' party pushing this hated tax through. The Canadian party which had a majority of over 100 seats was left with two in the Canadian House of Commons. Even the Prime Minister of the day lost her seat. Two elections later they have hardly improved.

"Sadly, One Nation's self destruction, following that party's destruction of Graham Campbell's base in Kalgoorlie, suggests that Coalition madness will ensure a Labor Government for years to come.

"Labor is no more friendly to small business, and won't abolish the GST. Like the Liberals and Nationals, Labor is a creature of globalism. The GST is an international requirement, promulgated by the IMF. According to Howard and Costello it is going to be 'good' for us all.

"Make the protest against the GST the biggest thing in Australia yet!"

ANOTHER PITIFUL EXAMPLE: A letter-writer in *The Courier-Mail* Queensland (30/3/2000) gave another example of the idiocy:

"It is evident that the system of withholding tax is unworkable even for the Australian Tax Office.

"By introducing two numbers, as opposed to the rest of the world which generally has one, the variations when making a simple purchase have risen to three. You could purchase from someone who is not registered at all; you could purchase from someone who has an Australian Business Number but is not registered for GST; you could purchase from someone who has an ABN and is registered for GST.

"Imagine buying flowers for the office from a roadside flower seller for \$60. 'Are you registered? Do you have an ABN number? Are you registered for GST? If so, please can I have a tax invoice? If not, I'll have to keep \$29.10 (48.5 percent withholding tax) and you can get it back in 18 months when you are assessed.'

"This is taxation gone mad. Most small businesses in such situations would not survive the year. They would be taxed at an upfront rate on revenue of 48.5 percent when, in reality, they would pay only 22.76 percent (the average rate on taxable income of \$50,000). There would be a considerable difference between their revenue and their taxable income and the cashflow impact would put them out of business.

"The business that buys the flowers would have to record the name and address of the flower seller and pay the \$29,10 over to the ATO. Remember, every transaction falls into the net, including all petty cash payments. Businesses make many such purchases"

The only logical conclusion is that the end of small business (and particularly Australian-owned) is the whole idea! What is required is a docile, servile population, totally in the hands of the corporate world, and dutifully policing one another under the controlling eye of the Government and the Australian Tax Office. If you haven't grasped that, and still put the whole thing down to bumbling foolishness, you are on a steep learning curve!

THOSE IN THE KNOW: Kerry Packer was one of the very few who escaped the 1987 stockmarket crash, having liquidated assets shortly before. He made a killing, snapping up bargains after prices had crashed. We offer the following without comment, from the Business section of *The Australian* (29/3/2000):

"Kerry Packer believes there will be a share market crash – and it will happen soon.

"That is why he is in such a hurry to raise as much cash as he can through his FFX Trust to be ready to swoop on the many bargains available to him when the dust clears For Packer, to raise such a large quantity of cash is a smart move, particularly because he is using mostly other peoples' money. But CPH is chipping in \$225 million, so he's backing his own judgement heavily too"

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