Creating a more dynamic and resilient economy inquiry

Questionnaire response 16

Name: XBase Pty Ltd

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1. Support business investment through corporate tax reform

1. What features of the Australian business environment have encouraged or restrained investment over the past 10 years?

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Title: "Superanuation 2.0 - The UBI Cut"

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Australia's current Superannuation system was designed at a time when people were expected to live until their mid eighties, and with any luck, into their early hundreds.

With the recent advances in health technologies, such as: genetically-customised cancer treatments; IVF and post birth genetic re-engineering; and stem-cell lab growing of replacement organs; Gen-X and beyond face the very real possibility of living for an unpredictable length of time, with a feasible potential to live well into our mid-100-hundreds.

How will we fund this?

The current Super system mandates that a certain percentage of super be withdrawn each year in pension phase, and although this is always relative to the base balance, the % is greater than CPI and therefore expects that the balance be reduced incrementally as one nears EOL.

That model made sense when EOL dates could be predicted with reasonable accuracy. But it is illogical in a world where:

- people may live an unknowable length of time
- historic predictions about safely-assumed growth on the balance can no longer be applied

An alternate model for super is likely to be required, and may also help solve other issues by reducing the need for NDIS to be funded from governance budgets, and funding universal income from super from a much earlier age than retirement, to mitigate the impacts of automation on available jobs, time not earning due to primary carer, education, illness, recessions etc; and income to new entrants who due to language or cultural barriers might have delayed integration.

In this model, which I will refer to as Super 2.0 (or "Super Super" :) superannuation would not only fund retirement, it would be the balance accrued, per individual, to fund FIRE.

The taxation system would be designed to support individuals to attain the FIRE level as quickly in life as possible, with an ideal model that the number would be attained in time for people needing to be financially independent, eg to leave home to study at uni.

The balance required would not be as low as the 3 mill currently proposed as an acceptable 'liveable' target for a super balance, because it would need to be high enough to fund the passive income of its recipient, for perpetuity.

It would more likely be at the 5 mill mark, with the taxation exchange being that the passive income drawdown be taxed at normal income tax rates, not discounted as per current (overly complex) pension phase drawdowns.

This 5 mill number in todays money would obviously be indexed to CPI, but would roughly enable:

- assuming 3.5% of growth retained as earnings to offset CPI inflationary devaluation
- assuming 6% average return on low risk investment portfolio
- the difference of 2.5% could be drawn down in an Economically Sustainable way for perpetuity;

That passive income of $125,000 would, including medicare, generate about $30,000 in taxation revenue, delivering a net income of around $95,000.

Having attained the FIRE level, the recipient could rightly now be exempt from the mandatory Super contribution of approx $15,000, delivering an Economically Sustainable amount roughly nearing 4 times more than the current austudy, unemployment, parenting, disability and retirement, government-funded pensions.

While it might seem unlikely many people will ever reach a $5 mill super balance, consider this as an end-state-vision on a 100 year or 3 generation strategic plan, with drivers introduced incrementally in the meantime, and it quickly becomes easily achievable. For example:

- Golden Immigration Visas requiring $5 mill to invest could enforce the funds be retained in super. This would allow our elders managing the Super funds to direct the investments, and provide a permanent, guaranteed, ring-fenced passive income per immigrant safeguarding them from becoming a state-funded liability
- This would also block a current workaround where some immigrants are recircling their immigration Visa investment budgets throughout a community

- Inheritances could remain tax-free so long as the balances are transferred directly into super, on average, roughly doubling the average super balance, with cumulative compounding escalations quickly growing balances across the next two generations

- mechanisms to fast-track super balances, such as tax-free, uncapped, co-contributions up until the FIRE level is achieved, could be offered, noting the immense savings this would deliver in direct reductions to welfare payments listed above

- the huge growth in super balances would provide immense, local, funding to assist the transition to genuinely renewable energy, transport and logistics, without the threats to economic autonomy which foreign investment can pose.

The current thinking in Australian culture is that we have a 'Cost of Living Crisis'. My thinking is that we have an 'Income Deficit'. Most of our emerging costs, including regulatory overheads, council rates etc, are necessary costs needed to run a country on policies which are STAR* rated (Sustainable, Transparent, Accountable and Real, with a * capacity quotient for the unknowables: Continuous Improvement and Risk Contingency).

With the exclusion of foreign-owned critical infrastructure which is unnecessarly, and unsustainably, drawing profits (therefore local economic value) offshore, i.e outside our economic system; most other recent cost increases are simply fixing the non-sustainable, short-term-planned, cost modelling we inherited from the Boomers.

Our current Super system is a good start, but there is room to apply the vast capability of financial expertise available in Australia's governance and financial industries to a more sustainable model that is fit-for-purpose for the new, technologically-enhanced future.

The above ideas are intended as a starting place for a conversation, and coupled with the ~100 Billion pa in other tax raising ideas I have submitted this round of PC inquiry, hopefully will provide a counterpoint to the current method to reduce the effectiveness of super at a much lower rate.

The benefits of a universal basic income go well beyond the reduction to welfare, investment capital, and guaranteed payg on larger passive incomes listed above.

There is also the unquantifiable, but definitely present, benefits that funded volunteers provide. Social care, creativity, innovation and philosophy being key drivers.

Ultimately these are the contributors to social happiness and safety: the best KPIs governors can measure their success by.

Rebecca Gabrielle Cannon

(STAR* model above my concept for the measurement of Policy Quality Management. Real, as in Get Real, don't take the p*ss mate).

2. What elements of the corporate tax system encourage and/or discourage investment and risk-taking?

The participant did not respond to this question.

3. Which parts of the corporate tax system do you find the hardest, or most time or cost-intensive to comply with? How could the compliance burden of the business/company tax system be reduced?

   The participant did not respond to this question.

2. Reduce the impact of regulation on business dynamism

1. What areas of regulation do you see as enhancing business dynamism and resilience? What are the reasons for your answer?

   The participant did not respond to this question.

2. How has your regulatory burden changed over time?

   The participant did not respond to this question.

3. What regulations do you find time-consuming, overly complex or otherwise constraining business dynamism and resilience? What are the reasons for your answer?

   The participant did not respond to this question.

4. Can you share any specific examples of where you think a regulator has done a good or bad job of understanding and reducing regulatory burden on businesses and why?