INSURANCE COUNCIL OF AUSTRALIA

# SUBMISSION IN RESPONSE TO THE AUSTRALIAN GOVERNMENT'S TAX DISCUSSION PAPER

June 2015

## THE ECONOMIC CASE FOR ABOLITION OF STAMP DUTIES ON INSURANCE IS WIDELY ACCEPTED:

**NSW Independent Pricing and Regulatory Tribunal**

"On economic efficiency grounds, there is a compelling case for abolishing stamp duty on insurance and making up the revenue forgone from consolidated revenue or other sources".[1]

**Report on Australia's Future Tax System**

Recommendation 79 "All specific taxes on insurance products, including the fire services levy, should be abolished. Insurance products should be treated like most other services consumed within Australia and be subject to only one broad-based tax on consumption"[2]

**ACT Review of Taxation**

The duty on general insurance and life insurance should be abolished based on the assessment "that taxes on insurance are considered to be a highly inefficient method of raising revenue. They create incentive not to insure and are not sustainable due to pressures on governments to compensate and support after the event" [3]

**GST Distributional Review 2012**

Finding 9.2 "The Panel is convinced that it is vital for all levels of government to pursue a tax system that favours broadly based taxes with fewer exemptions over narrow and distortionary transaction based taxes. Ideally, this would occur on a multilateral basis — amongst the States and including the Commonwealth — but it would not be a bad thing if some States chose to take a leadership role"[4]

**Productivity Commission Inquiry into Natural Disaster Funding Arrangements**

Recommendation 4.8 "State and Territory taxes and levies on general insurance should be phased out and replaced with less distortionary taxes"[5]

1 Independent Pricing and Regulatory Tribunal Review of State Taxation – Final report October 2008 Review, p 106
2 Australia's Future Tax System, report to the Treasurer December 2009, p 474
3 Government Response to the ACT Taxation Review May 2012, p4
4 GST Distributional Review, Final Report October 2012, p 142
5 Productivity Commission Inquiry report into Natural Disaster Funding arrangements, Volume 1 p 216

The Insurance Council of Australia (Insurance Council) welcomes the opportunity to participate in the Commonwealth Government's discussion on the creation of a tax system designed to deliver lower, simpler and fairer taxes.

The Insurance Council is the representative body of the general insurance industry in Australia. Its members account for more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services sector.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

December 2014 Australian Prudential Regulation Authority statistics show that the private sector general insurance industry generates gross written premium of $41.7 billion per annum and has total assets of $114.7 billion. The industry employs approximately 60,000 people, has 45.8 million policies covering over 85 million risks across Australia and on average pays out about $107 million in claims each working day.

The Insurance Council has been a major contributor to the tax reform debate in the past [6] and is pleased to make another contribution to the debate through its submission on the Commonwealth's Tax Discussion Paper. The Insurance Council looks forward to responding to the foreshadowed Options (Green) Paper.

In response to the Discussion Paper's acknowledgement that "Some of you will have specific sector-based issues you wish to explore", the Insurance Council's submission will focus on the removal of State stamp duties on general insurance policies. However, the logic of removing these duties equally applies to other relatively inefficient State based taxes such as duties on motor vehicles and conveyance taxes.

The Commonwealth Government is undertaking this discussion at a time when research and analysis on taxation matters is well developed and advanced. The tax review process instituted by the Commonwealth offers an opportunity for co-operative reform of both State and Commonwealth taxation regimes that could deliver sustainable funding for all levels of government based on the taxation principles of equity, efficiency, simplicity and sustainability. In fact, meaningful and far reaching State tax reform is more likely if it occurs within a broader process involving all levels of Government where stakeholders generally can be seen to benefit from an outcome which promotes the wider community interest.

Reviews of State tax regimes over the past decade have classified State taxes into two basic categories:

- taxes on transactions which have large dead weight costs, are a drag to prosperity and suffer from revenue volatility; and
- broad based taxes, such as payroll and land taxes that offer the States an efficient and stable tax base.

The unanimous conclusion from these reviews (as evidenced on the previous page) is that the States would be materially better off if they reformed their tax regimes so that they were more or wholly reliant on broad based taxes with minimal exemptions. Applying the same principle to the raising of Commonwealth revenue would enhance the scope for creating a multi jurisdictional tax system that delivers lower, simpler and fairer taxes.

[6] See Insurance Council submissions to the South Australian Tax review, The Victorian Parliamentary Committee tax enquiry , Australian Future Tax System Review, the NSW IPART Review, and the Tasmanian State Tax Review available at www.insuranceconuicl.com.au

## DESIGNING A GOOD TAX SYSTEM

A good tax policy should adhere to the principles of equity and fairness such that taxpayers with an equal ability to pay, pay the same amount of tax (horizontal equity) and taxpayers with greater ability to pay, pay more tax (vertical equity).

Furthermore, the taxation system should incorporate certainty about the amount of tax payable, the timing and method of payment, convenience of payment and be simple to understand.  In addition, a tax should be transparent, be structured to minimise non-compliance and ensure sufficient funds are available to the government to enable it to adequately provide services expected by the community.  It's important therefore that a tax stream should be easily predictable.

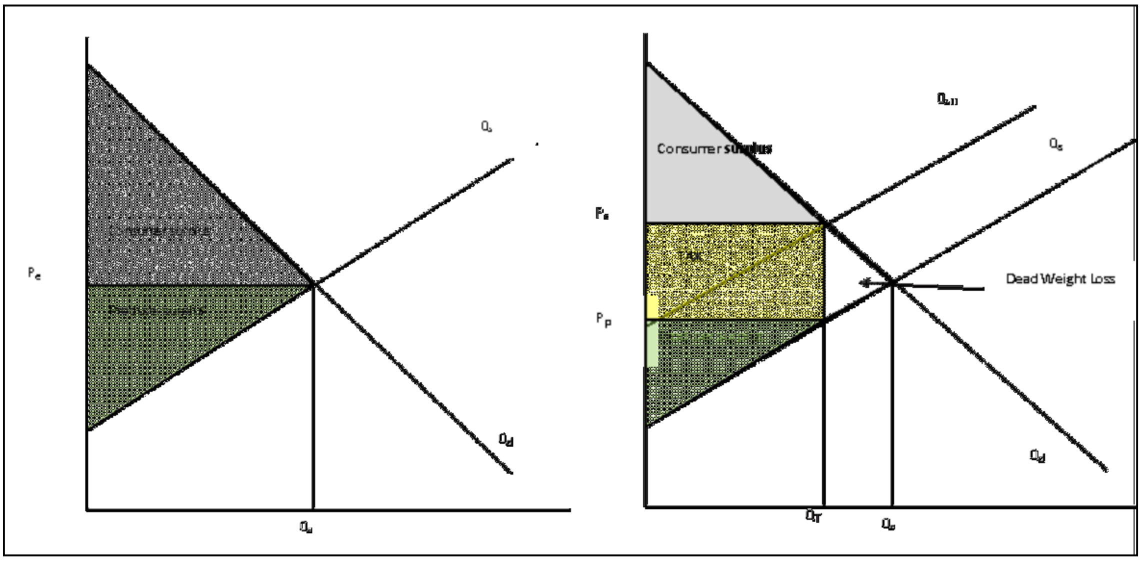
Most importantly, a tax should be efficient, in that its imposition has a minimal affect on investment and consumption decisions, thereby minimally distorting resource allocation (including labour) and ultimately the pace of economic growth and community wellbeing.

All taxes distort price signals by driving a wedge between the price consumers pay and producers receive, leading to a decrease in both quantity demanded and supplied to the market.  The welfare cost to society is measured by the *dead weight loss* which is that part of consumer and producer surplus not transferred to government as tax revenue and is directly related to the lost output.  For a given demand/supply elasticity, the more inelastic is supply/demand the smaller will be the negative welfare effect of a tax

Efficient taxes are therefore those with relatively inelastic demand and supply.  The lower the tax rate the smaller will be the tax wedge and the subsequent welfare cost.  For a given targeted tax revenue, the tax rate will therefore be inversely proportional to the size of the tax base.  Hence the larger the tax base the more efficient and less welfare destroying will be a tax.  Figure 1 demonstrates the concept of dead weight loss as a measure of the loss of community welfare arising from the imposition of a tax.

Ultimately, the value added by resources in production is the ideal tax base.  The least mobile (least elastic in supply) of these is land, then labour and capital.  Consequently, reform of State and Commonwealth tax regimes should have the goal of increasing the reliance on broad based land taxes, taxes on labour (payroll or consumption taxes).  Greater reliance on these types of taxes will allow for lower personal and company income taxes and thus an internationally competitive corporate rate.  Overall, a State/Commonwealth tax system reliant on broad based taxes with minimal or zero exemptions provides the greatest scope for lower, simpler and fairer taxes.

**Figure 1**



## TAX EFFICIENCY RANKINGS

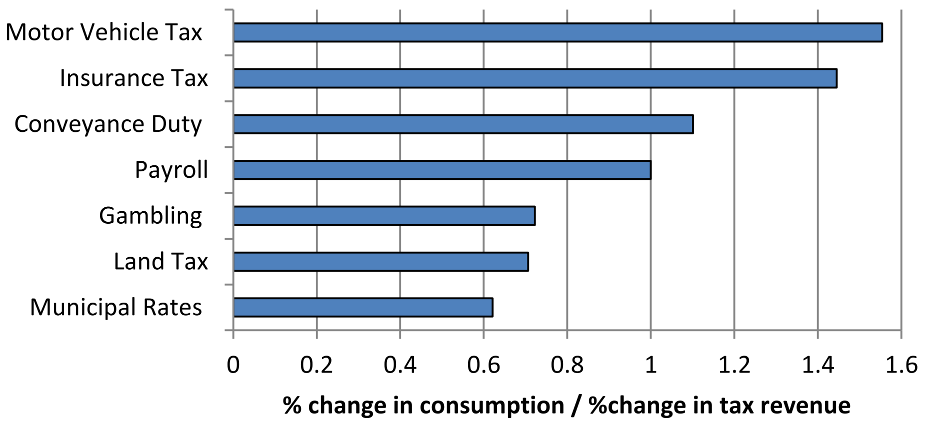
In 2009 the Insurance Council commissioned Access Economics (now Deloittes Access Economics) to assess the efficiency of State government taxes as part of project examining stamp duty reform. The efficiency rankings are summarised in Figure 2.

In the Access Economics General Equilibrium model the efficiency of an individual tax is measured by the change in household consumption that comes from raising an extra dollar of revenue via the tax while at the same time decreasing lump sum taxes by a dollar (equivalent to raising Government transfers by a dollar)[7].

The more efficient a tax is the lower will be the change in consumption. If the tax is as efficient as a lump sum tax (an ideal tax) then there will be no change in consumption. The efficiency rankings are based on the ratio of the percentage change in real consumption to the percentage change in tax revenue and then indexed to payroll tax, which is assigned a value of one. The larger the ranking the less efficient is the tax

The analysis shows that of the main taxes levied by State governments, motor vehicle taxes, insurance taxes and conveyance duty are the least efficient taxes while land taxes, gambling and payroll taxes are more efficient taxes.

**Figure 2**
**Australia-wide efficiency rankings of State taxes**

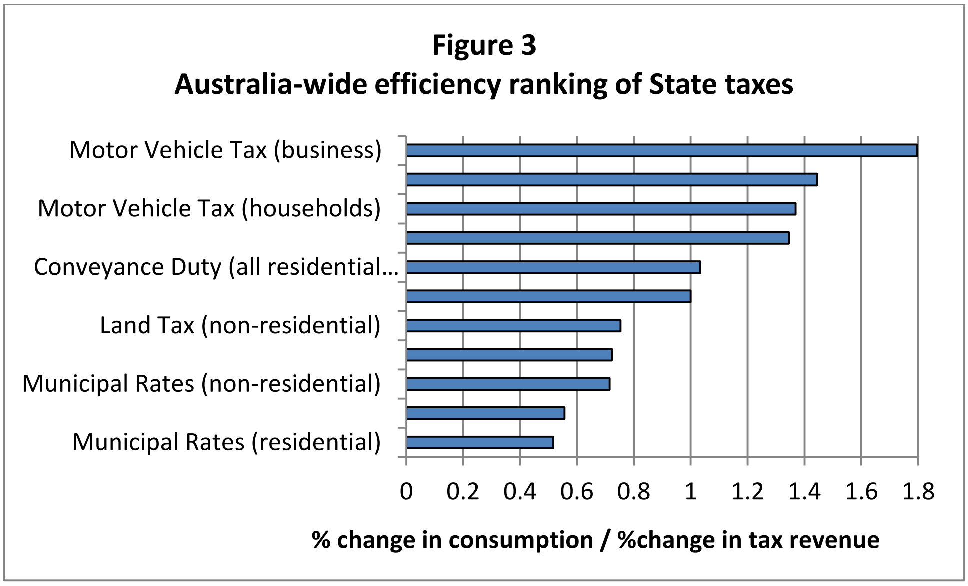



Source: Deloittes Access Economics

Also, where a tax is levied on business and households, such as motor vehicle or conveyance taxes, those levied on business are generally less efficient than the same tax levied on households.[8] The relative efficiency of selected taxes on business and households is shown in Figure 3

[7] The consumption response is dependent on the size of the demand and supply elasticities incorporated into the model

[8] Taxes that affect business tend to be less efficient as they have a proportionally larger impact on export industries, which face elastic demand and have second round effects via the effect on the cost of capital and hence investment decisions.




Source: Deloittes Access Economics

## TRENDS IN THE MIX OF STATE TAXES

Table 1 summarises the composition of the State government's tax revenues in 2013-14. Two important features are: the composition of the tax mix across the States is broadly similar and around 40% of State tax revenues are derived from inefficient taxes.

**Table 1**

**Composition of State tax revenue**

| | NSW | VIC | QLD | SA | WA | TAS |
|---|---|---|---|---|---|---|
| Employers' payroll taxes | 29.2% | 29.1% | 33.0% | 26.3% | 40.0% | 31.3% |
| Taxes on immovable property | 10.1% | 14.9% | 11.6% | 18.1% | 12.1% | 12.6% |
| Stamp duties on conveyances | 24.8% | 25.1% | 20.3% | 19.2% | 22.7% | 16.1% |
| Taxes on gambling | 7.8% | 9.8% | 8.8% | 9.4% | 2.5% | 9.8% |
| Insurance stamp duty. | 6.6% | 5.3% | 6.5% | 9.3% | 7.1% | 7.0% |
| Motor vehicle taxes | 11.8% | 11.2% | 17.1% | 13.8% | 13.6% | 16.7% |
| Other | 9.7% | 4.7% | 2.6% | 3.9% | 1.9% | 6.4% |

Source: ABS Taxation Revenue Australia, catalogue No 5506OD001_2013-14

While the tax mix has changed over the last sixteen years so that State governments are less reliant on inefficient taxes, the contemporary tax mix and change in the degree of reliance on specific taxes has not been ideal. The proportional contribution to total State tax revenue from payroll tax increased by a factor of 1.3 to around 31% and while taxes on immovable property recorded the largest proportional increase (rising by a factor of 1.95), this efficient tax currently accounts for only 12% of tax revenues. In contrast, the contributions from the inefficient conveyance and insurance duties have increased by a factor of 1.8 and 1.7 respectively and now account for nearly a third of tax revenues compared with around 17% in fiscal 1999 while the contribution from gambling taxes has fallen.

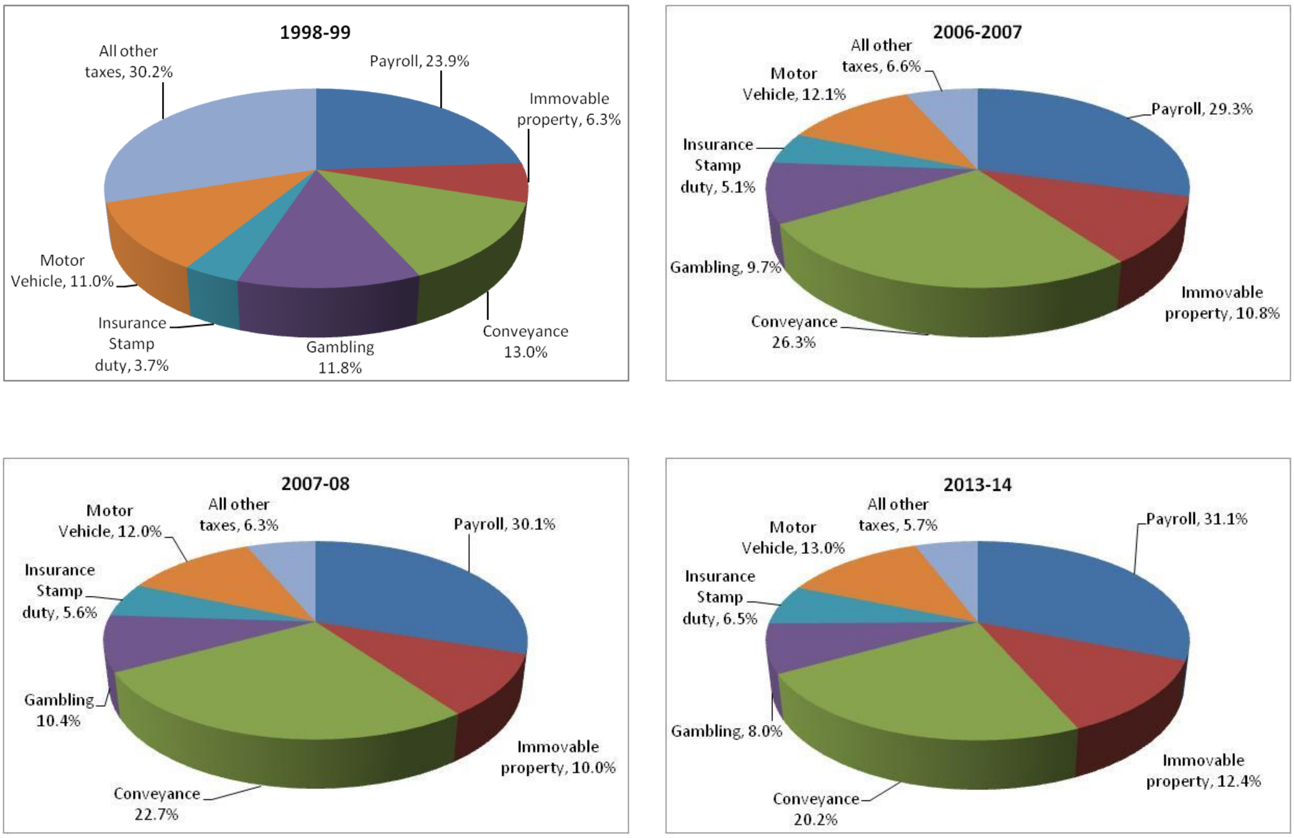
Most of the change in the tax mix occurred in response to the introduction of the GST, where State governments phased out selected taxes in return for GST funding. This reform included the elimination of bed taxes, financial institutions transaction taxes, stamp duties on financial securities and franchise taxes on petroleum, tobacco and alcohol. Separate reform instituted at the time included the abolition of the Fire Serves Levy (FSL) in Western Australia.

Since then the pace of reform has been mixed. The ACT commenced phasing out stamp duty on insurance products on 1 October 2012, to be eliminated by 1 July 2016, while Victoria replaced the FSL on insurance premiums with a land tax commencing 1 July 2013. In contrast, the Tasmanian government increased stamp duties in October 2012 and Queensland followed suit in August 2013. It's noteworthy the foregone revenues in Western Australia, Victoria and the ACT were replaced with a property tax.

The trends in the State governments' taxation mix from fiscal 1999 through to fiscal 2014 are shown in Figure 4.

**Figure 4**

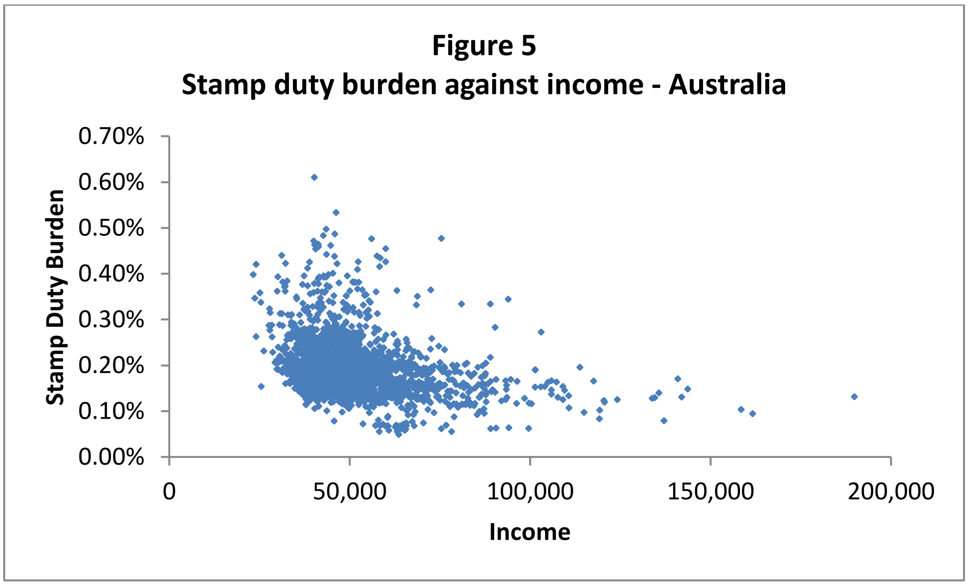
**Composition of State tax mix**




Source: ABS Taxation Revenue Australia, catalogue No 5506OD001

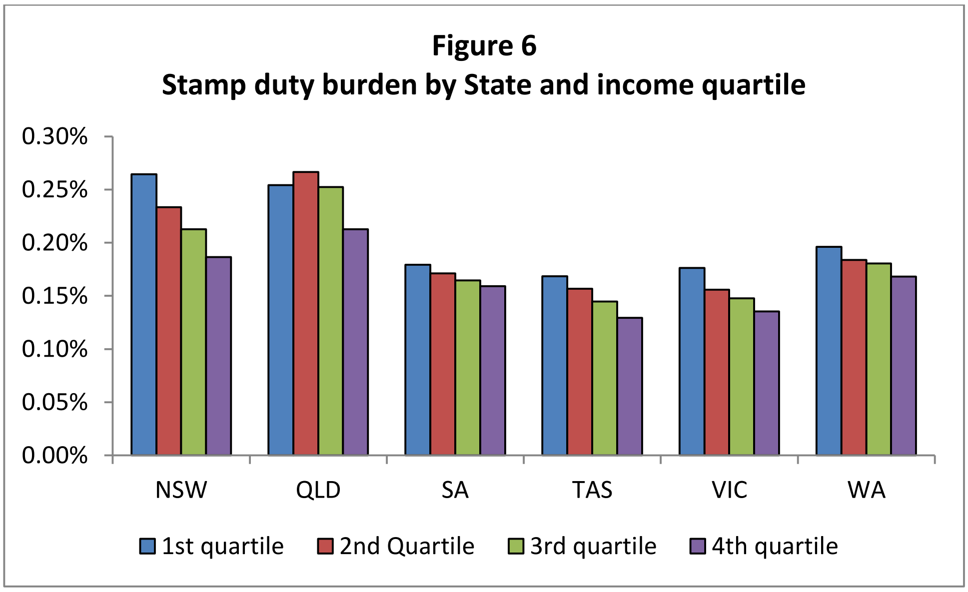
## Stamp duty is a regressive tax

The Insurance Council sourced data on average premiums, average sums insured and the number of policies at the post code level from members and combined this data with Australian Taxation Office post code level income data to determine the average stamp duty burden[9] at the post code level. The plot of the stamp duty burden against incomes is shown in Figure 5. The plot clearly demonstrates that as incomes increase the stamp duty burden tends to decrease. This reflects the fact that households on higher incomes have a greater propensity to reduce premiums (for a given sum insured) by adopting self-insurance strategies such as increased deductibles or implementing household mitigation strategies.




Source: ICA and ATO

Figure 6 shows the average stamp duty burden by income quartile by State. In all States, with the exception of Queensland, the stamp duty burden is highest in the first income quartile and steadily decline into successively higher quartiles.




Source: ICA and ATO

9 Stamp duty burden is defined as stamp duty paid divided by income by post code.

The higher burden in NSW is partly due to that State still funding the emergency services via an emergency services levy (ESL) on insurance premiums. The ESL is applied to the base premium followed by the GST and then stamp duty. This layering of taxes in NSW increases the amount of stamp duty paid by around 20%. The Insurance Council commends the NSW government for initiating public consultation on the removal of the ESL in that State with the publication of a discussion paper in July 2012 and we encourage the NSW government to implement this important reform in its current term.

The higher burden in Queensland reflects higher average premiums due to the combination of a high claims frequency rate and average claims size translating into a high cost per policy.

Table 2 compares the average cost per policy, claims frequency and claim size for each jurisdiction in calendar 2014

**Table 2**

| State | Cost per policy $ | Claims frequency | Average claim size $ |
|---|---|---|---|
| QLD | 531 | 8.7% | 5,657 |
| TAS | 454 | 8.5% | 5,396 |
| WA | 422 | 9.8% | 4,446 |
| NT | 402 | 7.2% | 5,618 |
| VIC | 377 | 6.1% | 6,216 |
| NSW | 371 | 5.7% | 6,650 |
| SA | 305 | 7.9% | 3,888 |
| ACT | 199 | 5.4% | 3,616 |

Source: Insurance Statistics Australia

The regressive nature of insurance stamp duties is an important equity issue for policy makers as there are no means tested mechanism available to governments that can provide targeted assistance to disadvantaged insured households. This contrasts with the GST where income tax cuts or transfer payments can be designed to compensate for the GST burden on selected households.

## Decreased affordability contributes to under insurance and non-insurance

The application of stamp duties to the base insurance premiums plus GST distorts insurance price signals and reduces insurance affordability, increasing the risk that a household or business will underinsure or not take out insurance. Ultimately, this phenomenon risks increasing government exposure to catastrophic events through a government facing strong political pressure to meet community expectations of recovery assistance.

In short, the diminished affordability arising from the imposition of State government stamp duties on insurance premiums reduces community resilience to insurable catastrophic events and poses intermittent risks to government budgets.

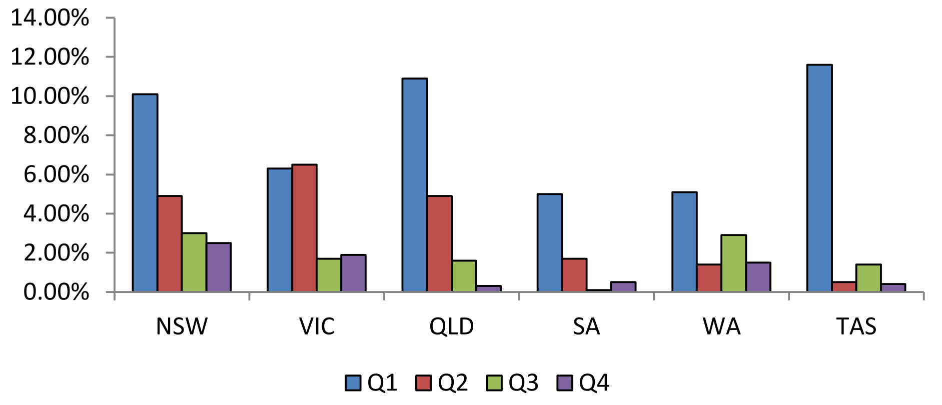
The relationship between affordability and rates of non-insurance is highlighted in Figures 7 and 8. Figure 7 shows the rate of building non-insurance for owner occupied households that do not pay body corporate fees[10] by income quartile and state. Figure 8 shows the rate of contents non-insurance for all occupied households by income quartile and state.

[10] Households for which the decision to purchase insurance is a discretionary decision made by the owner whereas owner occupiers paying body corporate fees have building insurance purchased by the corporate body.

Clearly, affordability and therefore the stamp duty burden is a significant factor in determining a household's insurance status for lower income households, particularly for those in the first income quartile.

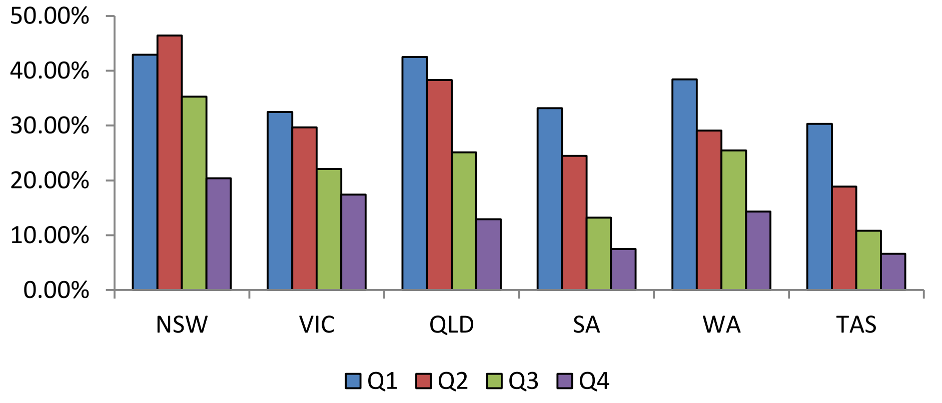
Insurance Council research[11] into the insurance cover of small to medium sized enterprises found that around a quarter (mostly sole traders) had no insurance and of those that had insurance 6.0% considered themselves as being inadequately insured. The primary reason for reporting non-insurance or under insurance was the relatively high cost of purchasing insurance.

**Figure 7**
**Rates of non-insurance by State and income quartile**
**Building**




Source: ABS Joint 2009/10 Household Expenditure Survey and survey of Income and Housing

**Figure 8**
**Rates of non-insurance by State and income quartile**
**Contents**




Source: ABS Joint 2009/10 Household Expenditure Survey and survey of Income and Housing

[11] The Insurance Council commissioned Woolcott Research in 2008 to survey the SME sector's insurance coverage.

The Insurance Council commissioned Dr Richard Tooth of Sapere Research Group to estimate the impact of state taxes on the demand for building and contents insurance both in terms of the decision to insure and the amount of insurance purchased and estimate the changes if stamp duties (and the ESL in NSW) were removed.[12] Dr Tooth used ABS household expenditure surveys to analyse how expenditure on insurance varied with differences in tax rates between jurisdictions and over time.

The key results are summarised in Tables 3, 4 and 5 below.

The research estimates that the removal of all State taxes and charges would result in a 13% or $643m increase in the household's net (of tax) expenditure on insurance for their main residence.[13] At least half of the increase is in NSW, reflecting that insurance premiums in NSW still include an ESL.

The removal of the ESL levy in NSW is forecast to result in an increase in net insurance expenditures of around $226m or 16% and the removal of stamp duties would stimulate spending by a further $125m or 9%. The impact in South Australia is marginally higher than in the other states, reflecting the higher stamp duty rate in that state while the more moderate increase in combined ACT/NT reflects the partial phasing out of insurance stamp duties in the ACT.

**Table 3**

**Pre-tax premium $ million purchased on house or contents insurance**

| | From 2009/10 survey | Forecast today | Forecast increase today if | | |
|---|---|---|---|---|---|
| | | | ESL were removed | ESL and Stamp duties removed | |
| **Jurisdiction** | | Estimate | Estimate | Estimate | % Change |
| New South Wales | 1,215 | 1,386 | 226 | 351 | 25% |
| Victoria | 880 | 1,212 | | 106 | 9% |
| Queensland | 950 | 1,069 | | 85 | 8% |
| South Australia | 353 | 385 | | 37 | 10% |
| Western Australia | 465 | 566 | | 47 | 8% |
| Tasmania | 123 | 130 | | 11 | 8% |
| ACT and NT | 110 | 131 | | 6 | 5% |
| Total | 4,097 | 4,880 | 226 | 643 | 13% |

Source: Sapere Research Group

Note: The survey data and analysis is on insurance purchased by the household for the main residence and therefor excludes insurance purchased for holiday and investment homes and insurance purchased by a body corporate. The 'forecast today' is based on the results by jurisdiction from the 2009/10 survey and adjusted for population growth and the modelled impacts of trends in the value of contents, income and wealth and changes in state based tax rates (which included the removal of ESL in Victoria). The forecast may be an underestimate as no adjustment has been made for premium increases since 2010 in response to increasing levels of flood cover and other market factors. The 'forecast increase' is based on predicted percentage changes by jurisdiction from the removal of state taxes.

Table 4 summarises the results for the decision to purchase house insurance among households eligible to purchase house insurance (owner occupiers that are not part of a body corporate[14]).

The removal of all State taxes and charges is estimated to reduce the number of these households uninsured for house insurance by around 22% nationally. The removal of the

[12] This research updated demand elasticities initially estimated in 2008. The latest research incorporates data from the 2009/10 ABS Household Expenditure Survey, changes to tax rates and growth in the number of households since 2009/10

[13] There would be additional increases in expenditure on insurance for holiday and investment homes.

[14] For these households the purchase of house insurance is a discretionary decision unlike owners residing in a strata title arrangement where the decision to purchase insurance is made by the strata management.

ESL in NSW is estimated to cause the number of uninsured households to fall by 24% while the removal of stamp duties is estimated to reduce uninsured households by an additional 10%.

The relatively large fall in the number of uninsured households in Victoria since 2009/10 reflects the estimated impact of the removal of the ESL in 2012-13 in that state.

Table 5 summarises the results for the decision to purchase contents insurance. It shows the removal of State taxes and charges is estimated to reduce the number of households without contents insurance by around 10%. This cohort of uninsured households includes both owner occupiers and renters, the latter of which are estimated as group to be less responsive to a change in premiums arising from the removal of state taxes.

**Table 4**

**Households (000s) without house insurance**

| | From 2009/10 survey | Forecast today | Forecast increase today if | | |
|---|---|---|---|---|---|
| | | | ESL were removed | ESL and Stamp duties removed | |
| **Jurisdiction** | | Estimate | Estimate | Estimate | % Change |
| New South Wales | 77.4 | 71.6 | 16.9 | 24.1 | 34% |
| Victoria | 55.3 | 33.4 | | 3.7 | 11% |
| Queensland | 38.0 | 39.7 | | 5.9 | 15% |
| South Australia | 6.8 | 6.0 | | 1.1 | 18% |
| Western Australia | 14.3 | 15.2 | | 2.7 | 18% |
| Tasmania | 4.3 | 4.3 | | 0.7 | 16% |
| ACT and NT | 4.5 | 4.5 | | 0.4 | 9% |
| Total | 200.6 | 174.6 | 16.9 | 38.4 | 22% |

Source: Sapere Research Group

Note: See notes to table 3.

**Table 5**

**Households (000s) without contents insurance**

| | From 2009/10 survey | Forecast today | Forecast increase today if | | |
|---|---|---|---|---|---|
| | | | ESL were removed | ESL and Stamp duties removed | |
| **Jurisdiction** | | Estimate | Estimate | Estimate | % Change |
| New South Wales | 979 | 992 | 98 | 148 | 15% |
| Victoria | 533 | 462 | | 28 | 6% |
| Queensland | 494 | 534 | | 32 | 6% |
| South Australia | 130 | 130 | | 10 | 8% |
| Western Australia | 233 | 263 | | 19 | 7% |
| Tasmania | 34 | 35 | | 3 | 7% |
| ACT and NT | 53 | 55 | | 2 | 4% |
| Total | 2,456 | 2,471 | 98 | 242 | 10% |

Source: Sapere Research Group

Note: See notes to table 3.

## Recommendations

The Insurance Council's response to the Tax Discussion Paper has pursued the theme that both State and Commonwealth taxation systems should be reformed so that the tax mix wholly or mostly relies on efficient taxes, thereby minimising the drag on growth and welfare erosion. The best suited taxes are exemption free, broad based taxes as these have the greatest potential to deliver simple, fair and low tax rates.

The Insurance Council's primary recommendation is that State stamp duties on general insurance premiums should be abolished. The forgone revenue ($3.7b in fiscal 2013) can be directly recouped by the State governments by either removing all or a significant proportion of their tax expenditures for payroll, land and gambling taxes.

Table 6 below was collated from State government budget papers. The table shows the $ value of tax expenditures in relation to payroll, land and gambling taxes and the proportion they are of the actual tax collected. It demonstrates that by removing threshold exemptions and or expanding the tax base, State governments could significantly increase the tax revenues derived from these inherently more efficient taxes.

The largest payroll tax expenditure is on the threshold. That is, the tax forgone by excluding entities with payrolls smaller than a prescribed minimum ranges from 30%-40% of current revenues. The removal of general exemptions would increase revenue by a further 14%-23%.

The potential revenue gains from the removal of land tax exemptions are also considerable and largely comprise the exclusion of the principal place of residence and threshold exemptions, though in some states the general exemptions[15] are also quite considerable relative to the current tax revenue.

In New South Wales there are considerable potential revenue gains available from the removal of gambling exemptions.

**Table 6**
**State tax Expenditures**
**2013 -14**

| | NSW $m | % | VIC $m | % | QLD $m | % | SA $m | % | WA $m | % |
|---|---|---|---|---|---|---|---|---|---|---|
| **Payroll tax** | | | | | | | | | | |
| Threshold | - | | 1,889 | 38% | 1,175 | 30% | 447 | 41% | 1,288 | 36% |
| General | 1,253 | 18% | 675 | 14% | 884 | 23% | 209 | 19% | 690 | 19% |
| Total | 1,253 | 18% | 2,564 | 52% | 2,059 | 53% | 656 | 60% | 1,977 | 54.7% |
| **Land tax** | | | | | | | | | | |
| Principal place of residence | - | | 1,222 | 75% | - | | 266 | 45% | 253 | 38% |
| Threshold | - | | 70 | 4% | 542 | 55% | 199 | 35% | - | |
| General | 655 | 27% | 1,274 | 78% | 706 | 72% | 579 | 100% | 165 | 25% |
| Total | 655 | 27% | 2,565 | 158% | 1,248 | 127% | 1,044 | 181% | 418 | 63% |
| **Gambling tax** | | | | | | | | | | |
| General | 793 | 42% | 71 | 4% | 127 | 12% | 38 | 9.3% | 0 | 0 |

Source: State Budget papers

[15] As an example General Exemptions from Land Tax in NSW include exemptions for Charitable/non-profit organisations, Government and public amenities, Religious institutions land used for primary production and Racing clubs.

The Insurance Council considers the removal of threshold exemptions and exclusions from the tax base a better option than increasing the actual tax rates as a means of recovering revenue lost from the abolition of general insurance stamp duties and other inefficient taxes.

For instance, the burden of a payroll tax with exclusions will initially be borne by employees in the taxed sector via lower wages but as that encourages a shift of employees to the relative higher wage tax free sector, wages in that sector are driven down until wage equilibrium between sectors is restored. The net effects are lower wages across the board and a distortion of the allocation of resources.

Overall threshold exemptions and exclusions from a broad tax base reduce the efficiency of the tax while requiring a higher rate of tax to fund a given level of Government spending. In short, non-exempt broad based taxes provide the means for lower, simpler and fairer taxes.