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Transforming Economies & Societies By Re-Engineering Taxation

It all comes down to the capital and how it is treated. How will you spend your dollar?

Questions Asked By The Tax Working Group

The future of taxation: Contained in this document are a part of my ideas on how to fire up an economy and bring a better balance of opportunity across a nation.

Purpose Of Tax: Tax should not just be about raising revenue but in addition about steering capital to places that will grow broad based opportunity for society, and for steering consumption away from destructive and inefficient forms and toward positive and more efficient ones.

The biggest economic transformation we may have to yet to witness, is in the unleashing of the economic potential of lazy capital and sharing the opportunities created across a nation. Creating opportunity for others is the foundation of any vibrant and sustainable economy or business.

Taxing The Right Things?: The document contains discussion of a variety of ways to tax

Housing Affordability: Can taxation address the housing affordability issue. In part yes. It is all about supply and demand. Not just for housing but also for dollars, and the supply of people (immigration/population growth). Removing investor dollars using the ideas in this document will have a substantial effect as they not only remove dollar competition from existing housing supply, but also encourage the creation of additional housing supply. Further removing GST from property and instead using the ideas in this document to replace the revenue will make newly developed property substantially cheaper. What tax won't fix particularly well is council regulations and zoning, and the supply of people which is an immigration and population growth issue.

What Tax Issues Matter Most To Me: Creating opportunity for people is first and foremost as I see so much poverty now that never was present during my childhood in NZ.

I am sorry, I have not had enough time to write down all my ideas on the issues.

I can attempt to progress any areas of interest at a later date, particularly the ones that support a foundation for generating opportunity for others.

Items Discussed

1. Money Flows
2. People-Centred Taxation

3. Efficient Use Of Capital & The Opportunity Economy
4. Sustainable Consumption Taxation – ‘SCT’ – Attempting To Reengineer The GST
5. The Global Corporate Tax Trap
6. Opportunity Credits & The Opportunity Economy
7. Dynamic Taxation
8. Simplification Relative To Ideals
9. Crypto-Tax
10. Corruption & The Integrity Of The Tax System
11. Taxing Capital
12. AI & The Future Of Taxation

Money Flows

‘Money flows to where it is treated best’.

This is a widely held paradigm, but it often lacks the qualifier ‘relative to the desires of the sender’.

This is an important qualifier to add and one that to a degree is already incorporated in the current tax system.

For any future tax system, demonstrable proof of intention needs to be a part of it relative to the bits that are not black and white

People-Centred Taxation

Business for business sake is meaningless.

People are the ultimate users of businesses goods and services and are the ultimate source of businesses profits. Spreading economic opportunity more widely means more people doing better and more people being able to afford to use more of businesses goods and services. This is good for business and good for the nation. Therefore a taxation system ideally needs to be people-focused and aimed at generating opportunity for a wide range of people across a nation, rather than just aiming to share the outputs of wealth and business from prior opportunity.

No people centred taxation system would be complete without consideration for the environment. If the environment is poor then people invariably suffer and eventually business also suffers. We must take action to ‘clean up our economies’ to clean up our world and enable it to support more sustainable business opportunities into the future.

Efficient Use Of Capital & The Opportunity Economy

There is no better way to fire up an economy than to unleash the latent potential contained in a nation’s ‘lazy capital’ by instead having it available for growing businesses and at the same time using it to generate economic opportunities for a wide range of people across a nation.

Definitions:

Active capital is capital investment that generates significant amounts of economic opportunity beyond the beneficial owner of that investment or any non-arms-length parties.

Lazy capital is capital investment that does little to generate economic opportunity beyond the beneficial owner of that investment or any non-arms-length parties.

‘Opportunity Economy’ refers to the generation of opportunity for a wide range of arms-length people in an economy. This set of ideas aims to support that but will need refining.

Examples of active and lazy capital:

- Active capital investment
    - Starting a business
    - Expanding a business
    - Property development
    - Investment into new company shares where the capital raised will be used to expand the business
    - Research and development
- Lazy capital investment
    - Money in the bank*
    - Investment in existing property with no further development
    - Investment in existing shares in a company**
    - Investment in anything that generates little to no additional economic activity

* Whilst the bank may then lend that money to an expanding business the paradigm requires the link to be established between the primary investment and eventual application to an active investment. So money in an on call account won’t qualify (for simplicity) because active investment by the bank needs to be stipulated, where as money into an account that

specifies a high level of further investment into active investments would. Taxation benefits would be proportional and in relation to the level of active investment and over what time the investments were made and held (to simplify short term investments may be better excluded however this may then exclude generation of short term opportunities)

**Investment in shares where the money is not going to be used to start or expand the business would be classified as lazy capital. This is despite shareholders being able to influence company decisions. Instead, any capital invested actively and associated tax benefits, would be at the business level and not the shareholder level. The benefits of the additional use of capital the company has from the tax benefits will over time, if the venture is successful, then flow through to shareholders but the dividends, capital gains and other income to the shareholder would be taxed in accordance with their investment being lazy capital.

The division between active and lazy capital along with other rules needed to implement the ideas for efficient use of capital and spreading opportunity, would be one for debate if an active/lazy capital taxation system and its benefits were adopted. I would suggest the following mechanisms and figures as a starting point (I hope I have what is in my head correctly written down):

- Active means that genuine economic opportunity is generated for arms-length entities and/or arms-length people. Some examples:
    - Investment into a business where the investment is spent on growing the business if the business employs people or uses suppliers or contractors that do.
    - Business or investment spending on NZ made goods, or NZ services where the goods or services involve human employment
    - Property development for the whole cost of development if or new residences are created
    - Property development for the development portion only if no new residences are created (i.e. the land is excluded and deemed lazy – exceptions would be development of hotels, industrial etc.). This is meant to be the case where people do smaller renovations to an otherwise passive rental property
- Where applicable investment and assets are split into active and lazy components. Business spending can likewise be segregated and added to these totals.
- The ratio of active to lazy investment/assets/spending is used to calculate the proportion of income that is taxed with the more favourable active tax rates and tax concessions, with the remainder being taxed with the lazy rates. These are deemed active income and lazy income respectively
- Tax rates on income from lazy capital are raised by 20% of current rates and tax rates on income from active capital are lowered by the same measure. (A fixed % such as 5% instead of a relative % may be better or not)
- Removal of tax concessions on income from lazy capital such as interest, depreciation, etc. Where there is a mix of active and lazy the active concessions can only be claimed in proportion with the active %

- Optional: Active income losses can be put against either active or lazy income where as lazy income losses can only be used against active income

- For reference a list of commonly encountered active assets and asset components when used in active business, investment or R&D. Anything that falls outside of the list or that are not being actively used are either considered lazy or need to be proven that they are active assets.

- Bring changes in slowly – announce two years ahead of making changes. Then proportionally bring in changes to tax rates and tax concessions at 5 to 10% per year, or at rates that take more care around where clusters of LVR's are which represent clusters of risk and capital that may need more time to adjust due to volume of capital. This will prevent a disorderly movement of capital that may otherwise have catastrophic effects.

- A question arises of whether spreading opportunity beyond a nations economy would be considered active or not***

- A question arises of when does active capital become lazy if it stops generating opportunity for arms-length entities or people?^

***Whether a nation has the freedom to choose may be determined by prior trade agreements it has entered into and WTO rules. If it does have freedom then I would suggest that opportunity should be contained within an economy to build it up and lift people out of poverty. Then when only a small pre-determined % of people are still below a commonly defined poverty line relative to local costs of living, then opportunity is shared with trading partners if they have similar effective environmental, employment, and intellectual protections that work in practice. This practice would help to solve some of the global imbalances that have developed when free-trade is applied liberally and as a one-size fits all solution, when in my opinion it is better used as a targeted solution in unison with other solutions to spread opportunity more evenly and ensure it is sustainable into the future.

^ By definition it is when it stops generating economic opportunities for arms-length people. However from an incentive perspective the benefits must last longer. Some solutions for this are:

- Time horizon relates to the reasonable expectation of break-even and a while beyond

- Time horizon relates to the depreciable life of assets invested into

- Taper the tax benefits off so there are no sudden changes in capital value of the asset. This may be the best method but introduces more complexity

- Issues around whether the tax benefits are transferrable on sale of the asset – see property example as to how this can potentially be handled

Example: Property

The elephant in the room relative to under-utilization of New Zealand's capital is property investment. Addressing the issue there is an excellent example of how capital can be made to be more productive and generate benefits well beyond its beneficial owner and related parties.

So when someone invests in a property and does nothing to it other than mandatory maintenance, then the amount of opportunity generated for others is limited – accounting, maintenance, property management, one off transaction activity on purchase or sale. Not much more except taxation of the passive income, and potentially what the resulting after tax income is invested in and what spread of opportunities that may generate.

Whereas where someone develops the property further then there are a wide range of products and services required that generates greater business opportunities and importantly, gainful employment for people. Further, often property development increases the number of habitable rooms and or residences, adding to housing supply.

So why should these investments be treated similarly in light of the capital use paradigm I am proposing and its benefits for society and the economy? They should not.

The changes needed to activate some of the nations lazy property capital are as follows:

- Passive property investment cannot claim interest costs
- Passive property investment cannot claim depreciation
- Any active investment such as adding a room, improving the property, or redevelopment, will have the development part of the investment exempt from the above rules and this is transferrable to any new owner. In order to not disadvantage current active investors this can be retrospective for developments already done if the current owner is the one who has done the development.
- For a property investment any income derived will be taxed accordingly relative to proportion of active and lazy capital (and for minor developments
- Possibly a time limitation/phasing out of benefits over time
- Bring these changes in slowly.
- Dynamic taxation for more precise management of economic bubbles (see dynamic taxation)

The long-term benefits of slowly moving toward this will be:

- Some of the leverage heat already in place will slowly unwind, reducing economic risk

- Housing supply will naturally increase as capital is treated better if a property is developed or further developed
- Property prices will become more affordable over time for potential owner-occupiers, due to removal of a portion of investor dollar-competition and increasing housing supply, therefore addressing one of the biggest problems New Zealand faces
- Economic activity will increase due to higher rates of property development
- Relative to the general economy, economic activity will increase overall due to more ‘local grown’ capital being available for innovation and for development of our nations resources, increasing the local levels of ownership of the nations high quality assets
- Finally a great deal of additional taxation will be realized from those who can afford to pay it who still choose to hold passive investments.

As a side point, housing affordability can be improved if GST is removed from property. My understanding is currently developers must charge and pay GST on property. Owner-occupiers generally are not GST registered and so they cannot claim it and so are the ultimate payers of this tax. Removing GST from property will lower the price of developed properties substantially and simplify the tax system in this area to make way for justified complexities in other areas. Use the ideas in this document to replace GST revenue on property.

Are capital controls needed to stop capital leaving the country if tax concessions are being removed for what currently is a large portion of the country’s capital?

The question instead should be: what type of capital do you want for the country? First of all, do it slowly to minimise disruption. Then over time the flight of lazy capital offshore does not matter if the taxable controller/beneficiary of that capital remains a tax resident. It still gets taxed the same on worldwide income basis and although there is loss of some tax due to double taxation agreements. The tax from income driven by growth from capital being readily available for businesses, will over time surpass the tax from lazy capital as the growth from active investments is superior. Over time some of that lazy capital will be attracted back and become active capital as the economy booms from readily available local capital.

I’d go a step further and argue that it would be better for the country if a portion of lazy capital does leave so assets are cheaper and the asset price bloat and associated bubbles occur away from the NZ economy. Most importantly, if a majority active capital business needs to have an asset to support its business, then that asset will be cheaper and therefore free more of its capital for active investment into its business. This is a very good thing and a direct result of treating well the use of capital you want and less well the use of capital you don’t want.

Sustainable Consumption Taxation – SCT – Attempting To Reengineer The GST

This is an awful area to try and re-engineer. Awful. It hurts my head. Yet I see this as an important area to re-engineer for the greater public good. Even though I have not been able to complete it in the time available, I have still included it because the concepts are that important. I can continue to think about how to implement it.

The degree of taxation on inefficiency, socioeconomic division, poor ethics and waste will be reflected in the degree of long-term sustainable growth of the respective economy adopting such and this will continue as long as broad based economic opportunity is supported long term.

If other economies join in to this paradigm then the main long-term economic race between nations becomes one of being more efficient, ethical and sustainable relative to a nations' use of capital and income.

We already have a form of taxation on inefficiency in terms of a consumption tax, the GST. However it's application has been blunt and it has considerable room for improvement by applying different component rates based on four sustainability measures that are ultimately people-focussed (example rates given):

- Social sustainability (staples are: core shelter costs (rent/residential rates), water, basic healthy food, electricity, excluded is waste disposal)
    - Staple – 0%
    - Intermediate - 8%
    - Luxury – 15%
- Environmental impact
    - Low – 0%
    - Medium – 8%
    - High – 15%
- Economic efficiency
    - High – 0%
    - Medium – 8%
    - Low – 15%
- Ethical status

- High – 0%
- Medium – 8%
- Low – 15%

So a product that is a staple, is ethically manufactured efficiently with a low environmental impact will have no GST applied. The effects will be to add to social stability by reducing costs to low SES populations whilst helping the economy to become more efficient in the most environmentally sustainable way and achieved in an ethically sound manner.

By contrast a luxury item manufactured inefficiently, unethically, and in an environmentally unsustainable manner (or the product itself is bad for the environment), will attract a GST of 60%. If this is too high then adjust the rates, however we really need powerful measures to steer people to make decisions that support the 'four dimensions of sustainability', and the GST when applied in the manner I am suggesting can be a very powerful tool to achieve this and raise taxation revenue at the same time. It is no longer a blunt goods and services tax, but a sustainable consumption tax (SCT).

Assessment of products for environmental and efficiency credentials is done. For each category where approved credentials have not been gained then the highest rates of taxation are applied. This can be used as a measure to level the playing field with countries with poor sustainability metrics to favour sustainably produced goods and services.

The framework for such a sustainable GST will need a lot of work to ensure it is both effective and as simple as possible. Relative to GST as it stands now it will complicate compliance and auditing. However the outcomes are highly beneficial and worth the complications and compliance costs.

Rough limited draft of GST credentialing system guidelines and examples. Details to be worked on in public/business consultation:

- Social sustainability
    - Staples - core shelter costs (rent/residential rates/purchase of core residence (restrictions* and concessions** apply)), water, basic healthy food, electricity, and the following items when below a defined cost for each item- fridges, washing machines, stove/ovens/microwaves, heaters/aircons, basic household repairs, public transport
    - Intermediate - waste disposal, cars <60k,
    - Luxury items – for all other items including items lacking credentials in this category
- Environmental impact
    - Low – TBA

    - Medium – TBA
    - High – for all other items including items lacking credentials in this category
- Economic efficiency
    - High – TBA
    - Medium – TBA
    - Low – for all other items including items lacking credentials in this category
- Ethical status
    - High – >=Living wage paid to all employees (although this is kind of a social sustainability measure)
    - Medium – >=Living wage paid to >80% of employees
    - Low – for all other items including items lacking credentials in this category

I apologise. I could not get this one completed. The elements that matter most to me in the SCT is social and environmental sustainability and ethics. These are critical elements that need to be quantified and added into the tax system. Let me know if you are interested in any further developments in this area.

The Global Corporate Tax Trap

It appears there is a slow race to the bottom in progress. How low should corporate income taxes go? On one hand a country looses business if it taxes higher than other countries. On the other hand the unqualified mantra that 'lowering taxes generates economic growth' becomes a failure in the long term once beyond failure to raise levels of government revenue needed to sustain the social order and broad-based opportunity that supports business in the first place.

The ideas contained in this document may be a more efficient and targeted way of lowering tax, if that is what is wanted.

As to having more than one rate of corporate tax, then for the support of small business I am all for it. Imputation rules may need adjusting though, and 'business-splitting' and 'ultimate control' rules will need to be implemented to stop people splitting and routing businesses through multiple entities to access the lower rates.

Opportunity Credits

Should income and capital gains be taxed whether corporate or not?

Not if it generates broader economic benefits for people above the cost of living for a wide variety of people who are at ‘arms length’.

I introduce the concept of ‘Opportunity Credits’:

Opportunity Credits are tax credits to be used against any form of income for the entity or person who earned them. The credits are generated proportionately every time a business or individual does something to spread economic opportunity to non-arms-length people.

Ultimately Opportunity Credits is aimed at sharing the economic benefits of business and ultimately raising the income of individuals, which irrespective of corporate tax rates will raise additional tax revenue, raise standards of living and increase the level of opportunity to a broader portion of our society.

An example is when employing people. Business income when it is paid as wages is already exempt from taxation. However a further exemption/ tax credit on top of this can be granted relative to the cumulative amount employees are paid for individual incomes ranging from the cost of living to, as an example three times the cost of living (so just paying executive bonuses above the cap will not qualify)

So for example a company earns 1,000,000 profit after deducting expenses such as wages. Its 9 employees earn three times the cost of living. The cost of living is for this example 20,000. Its one executive member earns 200,000. The eligible bonus is then (60,000 - 20,000) x (9 + 1) = 400,000

So the company is then taxed on 600,000 instead of the full profit. This may be too much to give away to businesses so the following are options to moderate this:

- Reduce the upper bound above the living wage – favours businesses that pay lower wages
- Raise the upper bound and lower bound – favours businesses that pay higher wages (and more likely associated with higher skills and more satisfying employment opportunities)
- Add a factor so the 400,000 in the example may only then be eligible for a lesser tax deduction
- A mix of two of the above

This method of tax cut in the area of employment has the following:

- Advantages
    - Encourages employment in the pay range desired in an age where AI is threatening to undercut human functionality and jobs more rapidly than job creation is occurring

    - Acts as a mild counterbalance to the shift to contractor models and subsequent loss of individual economic security
    - Encourages business to invest in people so the benefits of the business are spread more broadly amongst society; something that is needed to counter the growing disparity in wealth and social benefits
- Disadvantages
    - The exemptions may not be of much benefit to businesses with few employees relative to income, yet are high profit

Application of the generation of Opportunity Credits to other areas of the economy becomes a little more tricky as opportunity is not equal to income or profit now, but instead the true potential for such (in an economic sense). It should be the sharing of that opportunity that is encouraged for a better society rather than the concentration of opportunity for the few. However it gets complex because one can create new opportunity at the expense of other opportunities. We would need more concrete measures of creation and destruction of broader opportunity on a broader scale in order to build a system relative to taxation relative to encouraging genuine and fresh opportunity.

Business to business - Sharing

When a business spends some of its money on procuring goods or services from another business it generally can either go to a smaller business or a larger one. If it goes to a larger one it gets too complex to work out if it is ultimately benefiting more people or less (think discretionary trusts, large super funds as shareholders, shareholder turnover etc.). So a simple method to encourage sharing and generation of opportunity for more people is to give a tax credit to the contractee if the contractor has a turnover less than some factor (say half) of the turnover of the contractee.

To not disadvantage small businesses by excluding them because there are few business smaller than them, small businesses below a certain small business turnover cap can claim the credits when they contract to any company up to a multiple of (say 10 times) the small business turnover cap. For example a mum and dad business contracts to a business that turns over 20M may be able to claim credits but if they contract to a 2B turnover company they cannot. Big business has a massive advantage over small business. Small business is tomorrows' big business and they should be encouraged for that reason. Fresh growth, fresh ideas, fresh opportunity. Do you want a vibrant economy or one that is already close to its climax?

Opportunity As Realizable Potential

This is a tough one. So for example a large multinational opens up a platform for other businesses to develop income generating apps. This is a form of opportunity creation however how will the reporting work and how can it effectively be audited without significant cost?

Further is the dominance of the multinational eroding opportunity in other areas, such as a home-grown company having a significant slice in that market by having its own platform for other companies to have income generating apps?

Further if a significant portion of the app income goes to the multinational then that money generally is taken out of the economy.

Still I cannot help feel there is an opportunity here for spreading opportunity.

Dynamic Taxation

Wouldn't it be great if a society suddenly had a need and taxation could come to the rescue?

Also wouldn't it be great if tax could reduce the damage caused when economic bubbles burst?

It can. Adjust the rates in accordance with need. Bubbles are more often than not easy to spot. Using property as an example, a new development or new active investment only gets a portion or none of the benefits if oversupply is looming, or the full amount if supply is needed. This can be applied similarly to other areas of supply and demand.

This control mechanism needs to be in the hands of something like the RBNZ to minimise political and business interests corrupting the mechanism for short-term gains.

Simplification Relative To Ideals

It is good to have simple systems. The simpler the better? To a point.

In order for society to achieve its ideals and maintain system integrity, complexity is often justified.

The simplest tax regime would be to just have a consumption tax. Or just have an income tax. We do not have this because the additional taxes and system complexities are justified by the benefits of taxing different areas.

Crypto-Tax

Crypto currencies are a medium of exchange and like cash and barter, tax it. Traceability is the main issue if one does not control the blockchain.

At some point control, power and money will want to enter back into an economy where there is a bunch of people in it. So as a backup, value can be taxed when it is shipped back into an economy if it was not taxed prior.

Looking more broadly, the benefits of the blockchain outweigh the negatives. Taxation would require fewer audits for a start as the blockchain can be used for immediate tracability, and subsequently allow more targeted human and AI audits to areas where blockchain is not applicable or not being used. The question is though could quantum computing be used to disrupt the blockchain?

Should Capital Be Taxed?

If one wants to slow or reverse the currently enlarging imbalance of opportunity across our societies, then capital should be taxed in one way or another.

I have other ideas in this area on how to balance opportunity across society but am still working on those solutions.

Wealth Tax

If a non-specific wealth tax were introduced then expect all forms of capital to run for the hills. Capital controls would be needed as there is no separation of the good from the useless, and an economy may not do nearly as well under those.

Instead if I were government and were going to implement a wealth tax, then I'd apply it along the lines already discussed for active and lazy capital because no capital controls are needed. As discussed lazy capital should not be welcome as it reduces the capital available to active businesses when there is a need for them to buy subsequently overinflated assets to support businesses. Any savings they make due to the absence of lazy capital reducing the number of dollars bidding for an asset, then the savings can go toward growing their business faster, better or broader instead.

The combination of a selective wealth tax and selective treatment of incomes based on whether capital is increasing opportunity for others or not, may be the most effective at brining a better balance to wealth and power divisions across our society, as far as taxation is concerned, especially when combined with a sustainable consumption tax (SCT).

Land Tax

Land cannot leave a country unless it is Australia (Australia exports vast amounts of iron and carbon rich land). Jokes aside, land is not transportable and is an easy target for taxation. However if one is to tax land then how?

Simplest is to tax based on value. The door to corruption of the system is wide open there. Further the value of land does not necessarily relate to economic potential. A land tax may, if not structured well, adversely affect farmers, particularly if they are trying to make a living off of marginal land.

How would it work for forestry? Build up a tax deficit each year, to be repaid on harvest? Risky(!) as harvests can come and go just like dodgy directors and companies. What if there is a forest fire? Governments do not at this time want to be impeding carbon sequestration, nor be having debts that cannot be collected.

If the ideas in this document around active/lazy capital are too blunt a measure to quell over-speculation into property, then a transient land tax may be the economic medicine required. However like medicine, only give it to patients who need it.

Capital Gains Tax

If there is no other tax on capital then why not? I do not like it but for the sake of the stability of our society, the on-going concentration of wealth, power, and opportunity needs a counterbalance to slow, halt and reverse it. However CGT is not particularly effective at achieving this. Australia has a comprehensive CGT and yet are still are having similar issues to NZ.

This tax is also not a reliable source of government income because it ebbs and flows with the economic fortunes of a country; and after each crash there is a considerable delay to the increase in CGT revenues due to accumulated losses being written off against today's gains.

Another issue is there is an element of control that is outside of the taxpayers control and they should not be taxed on that. That is inflation. This bothers me from a principles perspective as inflation from what I understand relates to central banks and the fractional reserve system (the money supply side), and how many times money is exchanged in an economy within a given period of time (the demand side). Individual taxpayers have effectively no control over this so any gains from inflation should not be taxed.

Australia half had taken this into account when it introduced CGT by allowing gains to be indexed against government inflation data before being taxed. Its better than nothing given some governments subtly manipulate that data for a variety of reasons. This was then switched to removing that for business but giving the current 50% discount for capital gains for individuals whereby a capital gain is halved before being thrown into the income mix.

If a CGT is to relate to true gains in a capital position, then true inflation must be removed before it is taxed.

In my view, a CGT is too blunt to be an efficient tax or a social engineering tool. It targets the wrong areas and subsequently causes distortions in both markets and government cash flows (Howard and Costello were lucky).

A.I. & The Future Of Taxation

If we are going to allow high-level AI into our economics and society, and it's a choice, then we need new socioeconomic models that can be sustained, funded, regulated, and for them to encourage whatever works best for humans and our environment and not necessarily AI-lead consortiums.

Further, as AI develops there will be a crossover point where pseudo-consciousness will begin to be perceived by humans and other AI. Should these AI entities then be ascribed rights and be taxed in their own right? At what level of perceived consciousness would this occur and what if each perceived AI entity is too connected others to be considered as separate entities or are traceable back to a controlling AI consortium?

The AI area I am currently thinking about, have ideas on, and am watching. It's like the star wars of taxation. It is interesting how sci-fi can be quite predictive at times.

You may have noticed that a lot of emphasis of this document is on spreading opportunity, particularly by employment and utilising small business that employs people. AI is a potential threat to the taxation base as depending on how it is used it can remove opportunity from an economy or increase it. Time will tell which way it goes.

Looking very far ahead, the utopian future of taxation may end up being related to testable levels of consciousness; either to assist with the development of ones 'own' consciousness to better levels, or because better levels of consciousness support benevolence rather than selfishness, and therefore tax is no longer needed for those entities.

Public Trust

My final point is please do not make the same embarrassing mistake that the ATO has done, by damaging taxpayer interests by being dishonest for the sake of achieving collection targets. That is extremely bad for public trust in the system of government.

I am a public servant. I am here to serve the community and the public. Public servants need to remember why we are here.