Changes to simplify the tax system

- Remove Senior and pensioners tax offset (SAPTO).
- Remove the tax free threshold.
- Increase the low income tax offset to an amount that is the same as the SAPTO tax offset and includes the threshold amount.
- Make the tax free threshold available only to Australian citizens and permanent residents rather than Australian residents.
- This will simplify the system and also prevent foreign residents from claiming Australian residency for tax purposes to obtain the tax free threshold.
- It will also allow for tax cuts to thresholds above the current tax free threshold or to marginal tax rates. Revenue neutral as more money raised without the tax free threshold to offset the tax cuts.
- Revamp the Zone tax offset so that only a fixed amount is given that includes a top up for dependants rather than adding an extra amount of 20 or 50% of the base amount as currently done. This amount should then be reduced by the income of the person and the dependants – simplification.
- Invalid and invalid carer tax offset to be removed from tax system and a payment made through the welfare system.
- Personal super contributions should be removed as a deduction and replaced by a tax offset of say 15% of contributions with a maximum tax offset of $3,000.
- Introduce a withholding tax of say 10 or 15% for rental income and have real estate agents register or remit the withholding tax to the ATO. Those rental owners not using real estate agents would have to remit/pay directly to ATO. Reduce tax avoidance and allow more pre-filling of tax returns.
- Remove the 50% capital gains tax discount as capital gains receive favourable treatment compared to other investments. This is preferred rather than providing discounts to say bank interest. Grandfather current assets until sold. For shares you can provide a 3 year window to dispose and still get the 50% discount to speed up removing grandfathering provision. All newly acquired assets lose 50% discount.
- Revamp the Medicare levy and surcharge system. Instead of a levy based on taxable income the system should be changed to a have a set amount based on people's status ie married or single. It will be like taking out private health insurance. If single it costs you say $1,250 and married $2,500. They would be comparable to what is available in the health insurance industry. If you choose to insure yourself privately then you can't use the public hospital system. This would take pressure off the public hospital system. These amounts indexed for inflation. It would force insurers to compete and keep their premiums down. Because the public system would be used mainly by low income earners then all taxpayers would pay a base amount no matter what you income is since everyone should contribute.

- Simplify the small business capital gains tax concessions – only allow rollover and 50% discount for all four types of concessions and remove 15 year exemption and small business retirement exemption.

- Change the tax laws so that taxpayers can only request an amendment to their assessment within the current 2 or 4 year period. No extensions of time to be allowed unless something outside the taxpayer's control happens such as a review by a government department of payments. Extensions should not be allowed for any other reason. Brings more certainty to tax system.

- Now that banks can withhold tax from bank interest when a tax file number is not provided, it is easy to bring in a withholding tax of 10 to 15% to be remitted to ATO. The same system would apply to company dividends especially if unfranked. This way you can slowly do away with the Pay As You Go instalment system. You can have taxpayers put in a request for variation to not withhold if in an overall refund situation or non-taxable.

- Allow negative gearing only for newly built properties built for rental purposes. Grandfather existing rental properties. Or any interest incurred is not deductible and can be added to cost base of rental property. Other expenses still allowable as a deduction. This last suggestion can be phased in by allowing a 5 year delay to implementation of policy and if still paying interest after 5 years it becomes a capital cost.