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Capital Gains tax-----------------------

Tax reform = “Government has run out of money and needs more of your dollars”

Capital Gains tax

This was a fairly ethical tax till the Howard government cut the CPI indexing out.

Now an investor in a poorer suburb may have his investment property rise by the CPI over his 10 years of ownership and get taxed on this illusory gain.

An equivalent investor who invested in Brighton may have experienced a CPI + 50% gain is advantaged

e.g.

House Shepparton		House Bulleen
\$300000	puchased 2010	\$600,000
\$325,000	sold 2015	\$900,000
\$25000	raw profit	\$300,000
\$12,500	Taxable	\$150,000

The Shepparton investor has not even kept up with inflation but has to pay capital gains tax

The lucky Bulleen investor has a huge discount by virtue of the 50% CGTax rule.

I urge the government to re-examine this issue and go back to the CPI adjust return.

Paul Keating was a statesman who devised an ethical tax, John Howard the repealer was a politician who made vote winning adjustments

Companies.

A company owns $1,000,000 in property : a farm

It is sold after 20 years and luckily makes an increase equivalent to the CPI rise ,

eg. $1mil *(3% ^ 20) = $1,800,000

It pays tax on $800,000 of illusory gains.

This tantamount to a tax on capital and must surely discourage certain investment by companies

Further thought

Capital is worth more than Income.

As a small business operator for many years a dollar of asset was always regarded as 30% better than a dollar of income for obvious reasons.

Why is a 50 % discount given on a capital gain, realistically it would be a less distorting tax system if we had a 30% loading on capital gains to make capital gain dollars equivalent to the "deductible income dollars" that were claimed as the holding costs.

Thanks for allowing me to make this submission

John Dyson