

RICHARD N H DENTON AO FCA
CHARTERED ACCOUNTANT
98 PRINCE ALFRED PARADE NEWPORT 2106
TEL - 02 9997 8957

Bettertax Review

21 April 2015

I enclose my submission .

In doing so I add a comment on corporate "profit shifting " based on my long experience as a company director of corporations big and small including international.

The critics of reform often with significant financial conflicts of interest, resort to judgemental argument that unilateral action by Australia may result in deterring investment here or retaliatory measures. What nonsense ! Retaliatory measures from whom – the tax havens that benefit marginally - companies staying away from an attractive Australian market for their products ?

If a favourable market exists and a profit can be made, companies will come even if they have to pay a fair tax contribution. And why should they have a competitive cost advantage over other corporations paying their fair tax share in Australia ? Really !

An offset credit for any tax paid overseas on the same income would ensure no double tax – see my notes.

I wish you success with your endeavours to achieve equity.



Richard Denton AO



Taxation Reform –

Some notes by Richard N H Denton AO FCA (Former President and Life Member of The Chartered Institute of Accountants)

Social/Economic Need

After decades (probably centuries) of narrowing the income and asset gap ie between the “haves’ and the have nots” this trend has reversed not only in Australia but perhaps internationally.

Continuing this trend brings not only the likelihood of social unrest on equity grounds but also hindering the growth of the lower and middle income market which has been a principal stimulus to increased productive consumer demand and economic welfare .

Perhaps this is the major issue facing the free-enterprise economies in the immediate future. Papers issued by The Chartered Institute support this view

To the extent the trend is encouraged by tax policies favouring higher income earners and corporations over lower income brackets taxpayers, reform needs to be addressed.

Examples of Inequity

The capacity of high income earners to split income to take advantage of lower income brackets eg.

Contrived partnerships

Company structures

Discretionary and other forms of trusts

Offshore tax havens

Favourable tax “incentives “eg.

Negative gearing

Excessive superannuation contributions
Salary sacrifice
Fringe benefits
Reduced rate of Capital gains tax (15 %)
Exemption of family home from capital gains tax
GST at 10% (lower than most of comparable countries)
Dividend tax imputation
Favourable tax on superannuation earnings and distributions
Accelerated tax depreciation or development write offs

Add to this list -

The use of transfer pricing and other schemes to shift income to lower tax regimes and reduce the contribution to Australian National costs (through taxation) - in some case of our largest National and International corporations even to nil.

One could be forgiven for reaching the conclusion that high income individuals and corporations have lived in taxation “ Utopia” while those on PAYE have carried an unfair proportion of the burden of meeting national costs.

What to do –

Most if not all, call for legislative amendment or corrective enactment for abuses.

Ideally a thorough overhaul of taxation policy /legislation is desirable. However, to wait for such a broad review will simply place it in the “too hard” basket. The situation will continue virtually unchanged and/or invite interminable lobbying and resistance from each group of vested interests. But something must be done!

Probably it is only practical to set priority and address each issue individually over a period of years.

In the most in need of immediate attention is transfer pricing and contrived profit shifting to "tax havens". Why is it not possible to prescribe a with-holding tax on the gross income derived in Australia but directed overseas or on tax deductible expenditure paid overseas to affiliated entities. Those overseas entities could perhaps be afforded the option of lodging an Australian tax return to receive the benefit of the with-holding tax credit against a taxable income calculated according to our standards and legislation framed suitably to meet the circumstances. Alternatively, an offset against Australian tax could be granted for overseas tax paid on the same income to, prevent " double taxation ". If this a valid issue.

In eliminating the various excessive and/or no longer appropriate favourable benefits a reasonably long term " grand – fathering " or phasing out could be provided. This will give some continuing benefit to those where immediate change may bring hardship or partisan public outcry. A longer term approach to the various necessary changes may be the only practical and political solution.