

**1. Can we address the challenges that our tax system faces by refining our current tax system? Alternatively, is more fundamental change required, and what might this look like?**

- Reduce corporate tax rates to 15%, that way we can compete with the way Singapore. The large multinationals may consider being taxed in Australia rather than “shifting profits” overseas
- Individual rates also need to be reviewed, we have an odd distribution of income, tax is withheld on people's wages and then redistributed through the “centrelink” system. This is crazy why not just withhold less tax and let people take care of themselves

**2. How well does Australia's utilisation of its available taxes align with the evolving structure of Australia's economy and changes in the international economy?**

- we need to realign the way taxes are distributed, let's reduce corporate and personal income taxes
- reduce / eliminate stamp duty
- why do we have payroll tax? A tax for employing people sounds like the dumbest idea going around
- raise land taxes, this is a more efficient tax (you can't hide it in a Swiss bank account), higher land taxes also encourage landowners to develop land (rather than just hold onto it)

**3. How important is it to reform taxes to boost economic growth? What trade-offs need to be considered?**

- this is extremely important, it just needs political will

**4. To what extent should reducing complexity be a priority for tax reform?**

- This needs to be a priority, whenever we look at introducing a new law we should consider how we can put this in everyday language
- we can manage the complexity of the tax system but it's difficult. A law comes into play and then different scenarios come to play hence exemptions e.g. look at GST and all of the weird exemptions we have in place

**5. What parts of the tax system are most important for maintaining fairness in the tax system? Are there areas where fairness in the tax system could be improved?**

n/a

**6. What should our individual's income tax system look like and why?**

- let's reduce the number of rates for 5 down to 3, treasury can work out how this can be changed without impacting revenue
- why does the taxpayer reimburse “work related deductions” this doesn't make sense, if it's a work related deduction it should be reimbursed by the employer and not the taxpayer. There should be a limit placed on work related deductions (maybe as a proportion of total income)
- we have too many tax offsets, simplifying the tax brackets can help resolve some of these e.g. if the tax free threshold is raised to say \$30k, we can get rid of some of these offsets e.g. low income threshold.

**7. What should our fringe benefits tax system look like and why?**

- the FBT system works okay, the most efficient way is the for employer to pay this
- there should be some exemptions for small businesses (this is an administrative nightmare for smaller businesses) maybe an exemption similar to what not for profits get

#### **8. At what levels of income is it most important to deliver tax cuts and why?**

People earning below say \$50k, we withhold their PAYG and then redistribute it through a complicated family tax benefits system. Withhold let tax from them and then pay less benefits to them (i.e. stop the merry go around with the money)

#### **9. To what extent does taxation affect people's workforce participation decisions?**

- part timers have to consider whether or not it worth their while to work part time. This just doesn't make sense the tax system should be supporting them and not be a hindrance to part-timers it shouldn't even be a question

#### **10. To what extent are the interactions between the tax and transfer system straightforward for the people who deal with both systems?**

- as discussed in more detail above we withhold too much money and then redistribute it (its inefficient) and makes things more complicated

#### **11. How important is tax as a factor influencing people's decisions to work in other countries?**

I worked on a secondment in Sweden with my employer for 6 months, because of how complicated our system was it was easier to just pay me here in Australia. Or system is too complicated for inbound secondees, they work her for 3 months and we have to lodge Australian tax returns, withhold superannuation (that we end up taxing at the top marginal rate when they leave)

Why would anyone want to work in Australia?

#### **12. To what extent is tax planning a problem in the individuals income tax system? Are existing integrity measures appropriate?**

Tax planning plays an important part in peoples planning, however those with access to advisors are the ones that benefit from this. Accountants and lawyers consider ways to minimise tax, however those that really need the tax advice (startups, those on lower incomes) don't have the ability to minimise their taxes. The solution to this is to reduce the complexity of the tax system, that way it becomes fairer for everyone

#### **13. What creates incentives for tax planning in the individuals income tax system? What could be done about these things?**

Reduce the complexity of the tax system so that everyone can benefit (not just tax lawyers and accountants)

**14. Under what circumstances is it appropriate for assistance to be delivered through tax offsets?**

Just get rid of the offsets, they are too complicated. Raise the tax free threshold.

**15. To what extent do our arrangements for work-related expense deductions strike the right balance between simplicity and fairness? What could be done to improve this?**

Why does the taxpayer have to fund someones "work related" deductions. If these are truly work related then they should be funded by the employer and not the taxpayer. This is obviously very difficult to do politically but there could be a limit on the today work related deductions that can be claimed by any single person e.g. \$5000.

We may need to review how the education expenses are dealt with e.g. limit the deductions of \$5,000 to car, travel, laundry and other work related deductions.

**16. To what extent does our fringe benefits tax system strike the right balance between simplicity and fairness? What could be done to improve this?**

Some further exemptions for smaller businesses that are similar to the exemptions given to not for profits.

**17. To what extent are the concessions and exemptions in the fringe benefits tax system appropriate?**

N/a

**18. What tax arrangements should apply to bank accounts and debt instruments held by individuals?**

This seems a little complicated to change but you could have a maximum tax rate on interest e.g. 10%

**19. To what extent is the rationale for the CGT discount, and the size of the discount, still appropriate?**

The 50% discount is not appropriate and should be abolished, the tax rate should be based on someone's taxable income eg, New Zealand.

We could have a flat rate of tax on capital gains e.g. 15% (to match the company tax rate as suggested)

**20. To what extent does the dividend imputation system impact savings decisions?**

From my understanding Australia is the only country in the OECD that has this imputation system.

One way to make a simple change to this is to make imputation credits non refundable. This would still enable people to receive a tax offset through the imputation system and the government wouldn't have to fork out the billions it does in franking credits

**21. Do the CGT and negative gearing influence savings and investment decisions, and if so, how?**

Negative gearing should be abolished at best negative gearing should only be allowed for new residential property for a maximum of 5 years

**22. How appropriate are the tax arrangements for superannuation in terms of their fairness and complexity? How could they be improved?**

The Superannuation concessions are too generous, It is ridiculous that someone can receive the tax free income from their superannuation fund, there should be some tax on withdrawals from Superannuation. We need to encourage people to save for their retirement but not at the expense of everyone else.

One way to force those with large balances to pull more money out of superannuation would be to increase the minimum pensions for someone with a balance of say over \$1M (increase this to say 8% rather than just use the age based limits.

**23. What other ways to improve the taxation of domestic savings should be considered? How could they be applied in the Australian context?**

Different tax rates for different types of income (e.g maximum rate of 10% on interest income)

**24. How important is Australia's corporate tax rate in attracting foreign investment? How should Australia respond to the global trend of reduced corporate tax rates?**

Yes Australia's corporate tax rate should be closer to our Asian neighbors say 15% - 20%

**25. Is the dividend imputation system continuing to serve Australia well as our economy becomes increasingly open? Could the taxation of dividends be improved?**

The dividend imputation system needs to be reformed, imputation credits should be non refundable. If I invested \$100,000 in a listed bank e.g. Westpac

**26. To what extent would Australia benefit from the mutual recognition of imputation credits between Australia and New Zealand?**

Good idea but we will need a bit more detail on how this will work.

**27. To what extent does the tax treatment of capital assets affect the level or composition of investment? Would alternative approaches be preferable and, if so, why?**

The ATO releases an effective life table that lists the life of all sorts of assets, this is a ridiculous waste of taxpayer resources.

We should have a simpler system e.g. just use 10% – 15 % , the compliance cost of this is ridiculous, if you look at the asset register of a medium sized business it has say 100 assets with 10/20 different rates for each business. Treasury can work out a rate for different classes of assets rather than different rates for every different asset/industry

**28. How complex is the tax treatment of capital assets and are the costs of compliance significant?**

Look at what Sweden does tax law tangible assets are divided into four categories:

1. land,
2. land improvements/ground installations,
3. buildings and
4. machinery and equipment.

Immediate Deduction:

Small companies – 5,000 SEK (550 EUR)

Medium sized companies – 10,000 SEK (1,100 EUR)

Large companies – 20,000 SEK (2,200 EUR)

Two methods of depreciation for all other assets:

The depreciations are calculated on a pool basis according to two alternative sub-methods: • 30% declining balance; or • 20% straight-line

**29. To what extent does the tax treatment of losses discourage risk-taking and innovation and hinder businesses restructuring? Would alternative approaches be preferable and, if so, why?**

Tax losses laws are quite complex, particularly the “same business test “ for companies. All businesses are evolving and very few companies would satisfy this. Why have a law that no one can pass?

Tax loss laws should be amended and a good change would be to relax the laws and limit losses to 5 years. It doesn't make sense that people can claim losses for more than 5 years.

**30. How could the current tax treatment of intangible assets be improved?**

There is some scope for a depreciation of goodwill, businesses pay stamp duty and gst on this and end up changing the “depreciable” assets when they sell businesses.

**31. To what extent should the tax system be designed to attract particular forms of inbound investment (for example, by distinguishing between**

**active and passive or portfolio and non-portfolio)? If so, what principles should inform this?**

n/a

**32. To what extent does the tax treatment of foreign income distort investment decisions?**

n/a

**33. To what extent should the tax system be designed to encourage particular forms of outbound investment (for example, by distinguishing between active and passive or portfolio and non-portfolio)? If so, what principles should inform this?**

n/a

**34. How can tax avoidance practices such as transfer pricing be addressed without imposing an excessive regulatory burden and discouraging investment?**

n/a

**35. Should the tax system provide a more neutral treatment of different financing arrangements (debt, equity and retained earnings), and if so, how? What principles should inform the approaches?**

n/a

**36. Should the tax system provide a more neutral treatment of income earned on revenue account and capital account? Does the distinction create significant compliance costs for business and, if so, how could it be simplified?**

This area is complex, the best way to fix is to get rid of the capital gains tax concession and have a tax rate for capital gains tax

**37. Are there other important issues in the business tax system, not covered in this section, which should be considered as part of the Tax White Paper process?**

The GST base should be broadened to as many goods as possible (this will simplify GST)

**38. In what circumstances is it appropriate for certain types of businesses to be subject to special provisions? How can special treatment be balanced with the goal of a fair and simple tax system?**

n/a

**39. Does the R&D tax incentive encourage companies to conduct R&D activities that would otherwise not be conducted in the absence of government support? Would alternative approaches better achieve this objective and, if so, how?**

The R & D Tax incentive is a great idea but it is too complex, a small business would have to incur significant costs to apply for this and hence not necessarily get the same benefit. Larger businesses are always going to be better able to invest in R & D. We need small and medium sized business to invest more in R & D. The best way to do this is to better target the concession. There is currently an upper limit which should be further reduced. We can have some form of "light" R & D claim process for businesses that turn over say \$10m

**40. What other taxation incentives, including changes to existing measures, are appropriate to encourage investment in innovation and entrepreneurship?**

Close to \$10billion has been provided to the car industry since 2000 by the government. The government could have handed out \$1m to the top 100 business idea by those under 25 to get better bang for the buck and future jobs.

**41. What effect is the tax system having on choice of business structure for small businesses?**

As an advisor we always look to setup the most tax effective structure (and disguise this as asset protection) when we setup a new business. This should not be the case, the recent changes in relation to corporate beneficiaries have made things more complicated for small business. Trusts should be taxed more like companies,. This may be more of an ASIC question but there are plenty of businesses that would satisfy the ASIC tests for a large business yet they do not have the same reporting requirements.

**42. What other options, such as a flow-through entity (like an S-Corporation), would decrease the overall complexity and costs for small business involved with choosing a business structure.**

Tax trusts like companies and change the trust law. I can almost setup a trust and change the rules so that the trust deed determines how this trust will operate. This should be more like ASIC and run through ASIC with similar reporting requirements and have "almost" replaceable rules for trusts rather than the current structure. The tax paid by trusts should be similar a franking credits (but non refundable)

**43. Is the interaction of the personal and business tax systems a problem? What can be done to manage the personal-business tax interactions?**

The personal services income rules are a joke and should be abolished. How can a taxi driver be able to split his or her income with their spouse ? Just get rid of this.

**44. What are the most significant drivers of tax law compliance activities and costs for small business?**

n/a

**45. How effective is the current range of tax concessions (such as CGT and industry specific concessions) at supporting small business engagement with the tax system? To what extent do the benefits they provide outweigh the compliance, complexity and revenue costs they introduce?**

The definition of small businesses needs to be adjusted. The \$2m threshold is way too low. This should be closer to \$5m? This is inconsistent with say ASIC or even the small business threshold for carparking. \$2m turnover is actually a micro business.

**46. What other mechanisms (such as a single lower tax rate, improved technology deployment or other non-tax mechanisms) could assist small businesses to engage with the tax system while decreasing compliance and complexity costs?**

Small business should be able to lodge Business Activity Statements every 6 months where applicable.

**47. Are the current tax arrangements for the NFP sector appropriate? Why or why not?**

No – any non NFP related activities should be fully taxable

**48. To what extent do the tax arrangements for the NFP sector raise particular concerns about competitive advantage compared to the tax arrangements for for-profit organisations?**

There are plenty of well known brands out there that are part of “NFPs” and hence pay no tax.

**49. What, if any, administrative arrangements could be simplified that would result in similar outcomes, but with reduced compliance costs?**

n/a

**50. What, if any, changes could be made to the current tax arrangements for the NFP sector that would enable the sector to deliver benefits to the Australian community more efficiently or effectively?**

n/a

**51. To what extent are the tax settings (that is, the rate, base and administration) for the GST appropriate? What changes, if any, could be made to these settings to make a better tax system to deliver taxes that are lower, simpler, fairer?**



The GST base should be broadened, this will help make the compliance much simpler. There should be some compensation for those on lower incomes to compensate for this.

**52. What are the relative priorities for state and local tax reform and why? In considering reform opportunities for particular state taxes, what are the broader considerations that need to be taken into account to balance equity, efficiency and transitional costs?**

There are plenty of inefficient taxes e.g. payroll tax that need to be abolished. Broadening the base for GST should work in line with abolishing some of these taxes.

Land tax is a really efficient tax but this should be increased. It is efficient as you can't hide it in some Swiss bank accounts and it encourages those holding onto vacant land to develop it.

**53. Does each level of government have access to tax revenue bases to finance new spending decisions? If not, should arrangements change to achieve this? How should they change? How important is it that the national government levies taxes on mobile bases? Could some taxes be shared?**

n/a

**54. To what extent does Australia have the appropriate mix of taxes on specific goods and services? What changes, if any, could improve this mix?**

n/a

**55. To what extent are the tax settings (i.e. the rates and bases and the administration) for each of these indirect taxes appropriate? What changes, if any, could be made to these indirect**

n/a

**56. What parts of Australia's tax system, and which groups of taxpayers, are most affected by complexity? What are the main causes of complexity?**

n/a

**57. Would there be benefit in developing an Australian metric for tax complexity? What factors should be included? How should they be combined into a metric?**

n/a

**58. What system-wide approaches could have the greatest impact on reducing complexity in the tax system? Why have previous attempts to**

**address complexity in the Australian tax system not succeeded? How might it be done in a way that is more successful?**

n/a

**59. In what ways can reforms of tax administration best assist in reducing the impact of complexity on taxpayers? Are there examples from other countries of tax administration reform to reduce the impact of complexity that Australia should adopt?**

n/a

**60. What processes or systems currently being used by businesses and individuals could the ATO better utilise to lower the compliance costs of the tax system?**

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**61. Could administrative responses — such as embracing technology, harnessing data and taking the whole-of-government approach to administration — help address the issue of tax system complexity?**

Yes, tax is really complex there needs to be a whole of government approach

**62. Would there be benefits in integrating the administration of taxes across the Federation? If so, what would be required to realise these benefits?**

Yes, but you would need to have agreement from the states

**63. What changes could be made to provide greater certainty, transparency and accountability to tax policy development in Australia**

The treasurer should stop introducing tax changes on budget night. These should be considered well before budget night so that there are no surprises

**64. Are current tax review arrangements appropriate? How could they be improved?**

n/a

**65. Could the arrangements for developing tax policy in Australia be improved? If so, how?**

n/a

**66. Would the benefits of releasing more tax data and detail around costings outweigh the costs?**

n/a