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CPA Australia Ltd
ABN 64 008 392 452
Level 20, 28 Freshwater Place
Southbank VIC 3006
Australia
GPO Box 2820
Melbourne VIC 3001
Australia
Phone 1300 737 373
Outside Aust +613 9606 9677
Website cpaaustralia.com.au

Raphael Cicchini
Manager Regulatory Reform Unit
The Treasury
Langton Crescent
PARKES ACT 2600

By email: regulatoryreform@treasury.gov.au

Dear Mr Cicchini

Subject: Review of the Register of Approved Occupational Clothing and related tax deductions

CPA Australia represents the diverse interests of more than 155,000 members in 118 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. Against this background and in the public interest, we provide this short submission in response to the Review of the Register of Approved Occupational Clothing and related tax deductions.

Please treat this submission as a public submission.

We note that most of the questions raised in the discussion paper are, appropriately, targeted at employers who have had at least some interaction with the current guidelines. Our comments are based more on our knowledge of the income tax laws in respect of approved occupational clothing, and our experience in seeking to improve business processes and reduce excessive government agency red tape.

Our comments on the options as summarised in the review paper are as follows:

Policy options from the review paper	CPA Australia's views
1. Retain the status quo and reissue the current Guidelines. The assessment and registration processes would remain, as would the current Guidelines. However, there is a concern that this option imposes an unnecessary regulatory burden on employers, requiring them to meet prescriptive design criteria that no longer have a sound policy basis.	This is not our preferred option. We consider the current system is ripe for an overhaul to improve its efficiency and to cut costs for both employers and the relevant administering agencies, while still enabling taxpayers to claim a legitimate deduction of the relevant occupational clothing. We also submit that it is not entirely accurate to suggest that the guidelines and criteria that were originally developed 'no longer have a sound policy basis.' In our view the sound policy basis that remains is that employers and employees who incur expenses on certain uniforms with relevant logos and meet certain design criteria should be able to claim a tax deduction for both the purchase of these items as well as related the cost of maintenance.
2. Re-write the Guidelines with a view to reducing the regulatory burden. The Guidelines could be simplified and made less prescriptive.	This is our preferred option. We support the development of a new, simplified non-compulsory uniform guideline. We also consider it appropriate that the responsibility for the development and administration of the new guideline should be passed over from the Department of Industry, Innovation and Science to the Australian Taxation Office (ATO).

<p>3. Repeal the Division 34 regulatory requirements and rely solely on the general deduction provision (section 8-1) to regulate deductibility of expenditure on non-compulsory uniforms.</p>	<p>This option is not supported on equity grounds. In our view this approach would mean many non-compulsory uniforms would not be tax deductible.</p> <p>It is appropriate that a tax deduction be allowed for non-compulsory occupational clothing that meets certain criteria and is approved under the registration guidelines.</p> <p>The approval process puts approved non-compulsory clothing on a level footing with occupation specific clothing, protective clothing, and compulsory uniforms.</p> <p>Further, it also ensures that items of conventional clothing which, in the main, are usually private in nature, are not an allowable deduction under the ITAA 1997. This is both appropriate and consistent with the current tax law in this regard.</p> <p>We are also of the view that more employers would consider making their uniforms compulsory if Division 34 was repealed. Such a move may even come at the instigation of, or at least the support of, employee representative groups.</p>
<p>4. Deny all tax deductions for expenditure on non-compulsory uniforms. This option is canvassed for completeness, but it would not address the objective of ensuring deductions are only available for non-compulsory uniforms in cases where the clothing is clearly identifiable as corporate wardrobe.</p>	<p>We appreciate that this option has been included for completeness. For the reasons outlined in our comments on 3 above, it is not supported.</p>

Summary

1. We are of the view that it is appropriate that a tax deduction be allowed for non-compulsory occupational clothing approved under a new simplified registration guideline. For the reasons explained above our preferred option is option two.
2. The current Guidelines should be rewritten - simplified and made less prescriptive.
3. The ATO should take over the process – both the guideline rewrite, and administration thereof.
4. It is appropriate that a tax deduction be allowed for non-compulsory occupational clothing that meets certain criteria and is approved under the registration guidelines. The approval process puts approved non-compulsory clothing on a level footing with occupation specific clothing, protective clothing, and compulsory uniforms. Further, it also ensures that items of conventional clothing which, in the main, are usually private in nature are not an allowable deduction under the ITAA 1997 which is appropriate and consistent with the current tax laws.
5. This process should not be used as a sleight of hand to abolish/ eliminate legitimate deductions for business and workers in the guise of 'budget repair'. The tax revenue savings, if any, would be negligible.

If you have any questions regarding this submission, please do not hesitate to contact me.

Yours faithfully



Paul Drum FCPA
Head of Policy
T: +61 3 9606 9701
E: paul.drum@cpaaustralia.com.au