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As a practising accountant of many years and a stake holder in the administration of the Income Tax Act, I thank you for considering my 2020/21 budget submission.

INTRODUCTION:

The objectives of a tax system should be that it is simple, fair, transparent and uncomplicated. This was described as far back as 1776 by Adam Smith in his book "Wealth Of Nations". As we all know, enough taxes should be simply collected for the proper functioning of society. The provision of infrastructure, schools, hospitals and to look after the not so fortunate in our community.

But we are still using an Income Tax Act which was initially introduced in 1936. The world of 2019 is significantly different. I acknowledge there was a re-write (partial) in 1997 but the basis is still 1936.

PAST REFORMS:

Over recent history many astute people have reviewed our tax system and made recommendations with some eventually being passed into law.

The Aspery review of 1975, as an example, proposed the introduction of a capital gains tax. This was eventually introduced in 1985 by the then Treasurer Mr. Paul Keating.

Since then we have seen the Ralph review of 1999. Alienation of personal services income and treatment of non-commercial losses were just two of the recommendations implemented.

PROPOSED SUGGESTIONS:

The proposed suggestions detailed herein are intended to achieve the objectives of a good tax system.

1. Encourage the use of electronic currency with a view to the reduction of cash transactions. This will eventually lead to less under declared income.

2. Broaden the GST by eliminating current exemptions and maintaining a uniform rate of 10%.

3. The introduction of the GST was to have seen the abolishment of certain state taxes such as insurance duty on insurance policies, but this has not happened after nearly 20 years of GST. It's now time to abolish insurance duties.

4. Abolish Work Related Expenses (WRE) as a tax deduction. These have risen significantly over recent years and are now in the billions per annum. New Zealand abolished WRE in the 1980's.

5. Abolish all the current tax offsets and incorporate them into – lower tax rates. In addition the current tax free threshold should be increased. This lower tax rate should also take into account the tax effect of the abolishment of WRE. The tax free threshold should be set at a minimum amount required by an individual to live.

6. All investments to be taxed at the lowest marginal rate thereby encouraging savings.

7. Abolish CGT as we know it today. This is a tax on inflationary gains and not real gains. Politically difficult to achieve.
   Alternatively, tax net capital gains at the lowest marginal rate and not at the current adjusted upward rate. This also would encourage investment and savings and provide economic stimulus and growth. I suspect a lower tax rate on capital gains would lead to higher tax collections.
   I note this is contrary to the Henry Review recommendation which was recommending a CGT discount of 40% rather than the current 50%.

8. An alternative to the taxation of savings, being interest income, dividends and rentals is to have a standard 10% withholding tax at source where possible.

9. All companies should be taxed at a flat rate of 25% effective a.s.a.p. This would encourage investment and make Australia more competitive on a World Scale, but more importantly in our geographic region.

10. Seniors & Self-Funded Retirees:
   As we know super is a scheme to save for retirement in order for taxpayers to be self-funded as far as possible and thereby rely less on Government pensions.
   So what is the difference if a taxpayer is self funded for whatever reason, outside super?
   The test should be the same, in or out of super. Super pension drawings are tax free (I note, the concept of the $1.6m cap) but the same is not true for self funded retirees outside super. Why should two retirees, who individually have the same capital base supporting their retirement income, be taxed differently?
   Equality demands that all retirees should be taxed the same. Accordingly, all Super pension drawings should be taxed probably at a rate of 10%-15% at source.

In addition I note that as the population ages the current system of tax free super pensions is not sustainable.
This achieves the objective of fairness and equality as all citizens need to contribute to the economy based on their financial ability to do so.

11. Superannuation:
    a) Abolish the current rules around the $1.6m cap. This has added to compliance costs and massive costs for the ATO to administer.

    b) Employers should not be responsible for employee Super Contributions as this adds to labour costs and potentially makes companies less competitive and reduces investment. Extra company costs are eventually passed onto the general community as higher costs.

    c) All taxpayers should be made to save for their retirement. Contributions into super should be compulsory based on taxable income. The proposed method would be a 10% contribution based on the previous year's taxable income with twelve months to contribute. However, consideration should be given for change of circumstances such as stopping work to have a family.
    The viability of a tax deduction should be reviewed but I am inclined to disallow a deduction given my earlier proposal of lower tax rates.

I hope these suggestions contribute in some way.

Yours faithfully,
TONY CORBO & ASSOCIATES

ANTHONY CORBO