

6/22 Rise Street
Mount Gravatt East Qld 4122

8th April 1999

The Secretary
Review of Business Taxation
Department of Treasury
Parkes Place

CANBERRA A.C.T. 2600

Dear Sir

ABOLITION OF CAPITAL GAINS TAX

Capital Gains Tax is payable on any real capital gain made on the disposal of an asset that was acquired on or after 20th September 1985 and that is otherwise not exempt. Thus, **Capital Gains Tax** has two components.

- Firstly, **Capital Gains Tax** is a wealth tax because it becomes payable when a net increase in real wealth is realised by disposing of an asset not exempt from **Capital Gains Tax** for a real capital gain, after accounting for any applicable realised capital losses on the disposal of other assets.
- Secondly, **Capital Gains Tax** is a transactions tax because it increases the cost to the seller of disposing of an asset not exempt from **Capital Gains Tax** for a real capital gain, after accounting for any applicable realised capital losses on the disposal of other assets.

The consequence of **Capital Gains Tax** being a wealth tax is that it discourages capital accumulation and savings, exacerbating Australia's Current Account Deficit, whilst the consequence of **Capital Gains Tax** being a transactions tax is that it reduces capital mobility

and increases economic inefficiency. Therefore, in fairness to all Australians, as **Capital Gains Tax** is both a wealth tax and a transactions tax, it should be abolished.

If **Capital Gains Tax** is abolished, it would liberate capital from the burden of its wealth tax and transactions tax components, as well as encouraging millions of Australians to save for, invest in, and enjoy Australia's future.

I very much hope your Committee will recommend that **Capital Gains Tax** should be abolished.

Yours sincerely

L. Middleton BEc(Hons)