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The Secretary  
Review of Business Taxation  
Department of the Treasury  
Parkes Place  
CANBERRA ACT 2600

Dear Sir

Submission on the paper

?A Platform for Consultation?

I refer to this paper and feel it necessary to comment on some matters. I have not undertaken any comprehensive analysis of the paper but had my interest in commenting driven by a recent Brisbane presentation by Alice McCleary.

I make the following comments:

- 1 It has taken many years to get to where the political opportunity for comprehensive tax reform is available and genuinely being considered. The restrictions on the enquiry in the form of revenue neutrality and non-consideration of equating the maximum personal tax rates with either or both company rates or superannuation rates clearly threaten to make this review a non-event in real reform possibilities.
- 2 Given the above-mentioned restrictions this review appears to be motivated by Treasury, not by any real enthusiasm for reform. The only way to achieve a tax rate of 30%, will be to tax all options at this rate or whatever rate it is that delivers some neutrality from all sources. The effect of elimination of rate differentials delivers clear savings benefits in consideration of restructuring, source determination and attributes of income differences and this will clearly have significant long-term reform benefits.
- 3 The concept of ?Deferred Company Tax?(DCT) is such a misnomer that it could aptly be renamed as ?Advance Company Tax?(ACT). It disadvantages dividend paying companies with tax losses from timing differences or any other historical cause and introduce double taxation when these differences are reversed with no benefit for taxes due after this reversal. Those entities relying on their losses under ,say, a test of ?continuity of business? should be afforded some opportunity to elect to eliminate these benefits even retrospectively should they consider dividend payments ( to be force franked by DCT) to be more important than the future timing benefit of losses ( currently allowing unfranked dividends). The risk to these businesses given the possibility of legislation being applied retrospectively after being held up, say, in the Senate will create a greater tax uncertainty than exists today.

4 The changes to the depreciation processes appear to be a political accommodation to gain income neutrality. In my view, this objective will be apparent and therefore destructive to the Government position.

This silliness is revealed in such areas as 'small items of plant' and continues to reflect the extraordinary software changed stance of the budget of last year.

5 As a person involved in the Securities Industry for in excess of a decade, my major concern in detail is the consideration in Chapter 12 to the quarantining of losses from shares and trusts.

The initial sub-heading of this chapter is Current arrangements are complex, inequitable and distortive. Then in paragraph 12.29 the whole discussion is involved in creating an inequitable and distortive process to treat losses from shares and trusts differently as they 'represent key vehicles through which loss duplication and creation take place'. The ease of their realisation is apparently also of concern and hence 'option 4' to treat them differently is proposed.

Surely it is their ease of trading which makes them attractive to investors. This is not a reason to treat them differently but only a reason to ensure the rules are clear.

In the same chapter, the argument about averaging capital gains is merely an argument about personal tax rates and the discrepancies in the current structure. Any differential in capital gains rates will introduce complexity without benefit.

If you could get our political leaders to reconsider the objectives of and the restrictions on the review, I think we could see real reform. I commend this argument to you.

Yours Sincerely,

Bruce Wallis, B.Comm., FCA